





## AMERICAN NEWS

## Bush mounts strong defence of pay-roll social security tax

By Peter Riddell, US Editor, in Washington

THE BUSH administration is mounting a strong counter-offensive against proposals for cutting the social security payroll tax, which have been put forward by leading Democratic Senator Daniel Patrick Moynihan and have attracted some Republican support.

Senior officials have contacted members of Congress to rally opposition since they want to avoid any handwringing developing for a politically attractive tax cut for low and middle-income groups in an election year.

At present, White House officials do not see the proposals as a real threat and Senator Robert Dole, Republican minority leader in the Senate, has said he did not see a reason "to be panicky". He detected no sign of a big Republican move towards it.

The Democratic Congressional leaders have been unusually reticent, waiting to gauge the real level of support when Congress returns next week. The plan, to switch social security to a pay-as-you-go basis, would cost \$7bn in lost revenue in the current fiscal year, and \$60bn in fiscal 1991, which would undermine hopes of cutting the federal deficit in line with the Gramm-Rudman statutory targets.

The growing social security surplus, at present used to hold down the overall federal deficit, has arisen because of the need to provide reserves for the much larger number of retired people in the next century, arising from the post-World War Two baby boom.

The Moynihan plan has aroused fierce controversy, attracting support from the conservative Heritage Foundation as a step towards fiscal honesty and a tax cut for the



Moynihan: attracting support

working poor. By contrast, normally liberal economists have suggested that the proposal would not only raise the federal deficit but also threaten the long-term financial prospects for social security beneficiaries.

The administration has argued that the Moynihan plan would force either a cut in social security benefits or an increase in other taxes in order to cut the federal deficit.

Mr Michael Boskin, chairman of the President's Council of Economic Advisers, has defended the present system on the grounds that it is necessary to build up the reserves in the social security trust fund "to avoid an oppressive tax increase or cut in benefits in the future."

The chairman has argued that the structure put in place in 1983 represented "one of the few times the government has really been responsibly forward-looking, anticipating future obligations and placing a financially sound programme in place to deal with them."

## Montreal executive joins Liberal race

By Bernard Simon in Toronto

THE RACE for the leadership of Canada's opposition Liberal Party began in earnest yesterday with Mr Paul Martin, an MP and former Montreal shipping executive, declaring his candidacy.

He is expected to be joined next week by Mr Jean Chrétien, another Quebecer and former cabinet minister, in the five-month race to win party support before a leadership convention in Calgary next June.

Two lesser-known candidates had already thrown their hats into the ring, but veteran left-wing MP Mr Lloyd Axworthy yesterday ruled himself out of the running.

No one besides Mr Martin and Mr Chrétien, with a realistic chance of winning, has yet expressed interest in leading the party.

Some Liberals, however, want a wider choice and would like to see other strong candidates, notably one of the popular Liberal provincial premiers of Ontario, New Brunswick, Newfoundland or Prince Edward Island.

Mr Martin, 51, is the son of a former senior cabinet minister but only entered parliament last year, having revived Canada's biggest shipping company.

His appeal for support is expected to focus on the need for a fresh face leading the Liberals.

The new leader will take over from Mr John Turner,

whose unhappy 5½-year tenure has been marked by Liberal defeats in two general elections and by constant bickering over his leadership and key party policies.

Reflecting this, Mr Martin and Mr Chrétien have sharply divergent views on the thorniest political issue in Canada — the constitutional agreement known as the Meech Lake accord.

"This recognises Quebec as a 'distinct society' and gives the francophone provinces the right to promote its unique character. It also gives all ten provinces various powers at the expense of the federal government."

The accord needs to be ratified by all provinces by June 23 in order to come into force. Manitoba and New Brunswick have so far refused to give it their blessing and Newfoundland has threatened to revoke its approval.

Mr Martin favours Meech Lake, provided a "parallel" agreement be drawn up to take account of objections to it.

Mr Chrétien, 56, is a federalist who wants the accord scrapped. In a widely-publicised speech, he said in Ottawa this week that the "distinct society" clause should not have the force of law. "It is time to stop the nonsense that the debate is between those who are pro-Quebec and those who are against Quebec," he said.

## Colombian drug barons call halt to mayhem

By Robert Graham in London and Lionel Barber in Washington

COLOMBIAN drug traffickers yesterday announced a halt to their five-month campaign of bombings and assassinations. This is a bid to capitalise on the growing propensity in the country for making a deal with them.

The announcement came as the US shelled plans to deploy a naval task force to block drug trafficking off the Colombian coast, after objections from the Bogotá government.

A statement from The Extraditables (a name used by members of the drug cartels who oppose extradition to the US) was read on radio stations at Medellín, centre of the drug trade in Colombia, yesterday by a woman who said she had just been released by them. Apart from a halt to their campaign of terror, the traffickers said they will stop cocaine exports and turn over their weapons, once they were given "constitutional and legal guarantees."

The Extraditables declared war on Colombia's political establishment on August 24, in response to President Virgilio Barco having launched, with US backing, a big offensive to stamp out the country's multi-billion dollar drug trade. Since then, the traffickers have carried out more than 200 bombings, including the mid-air destruction of an Avianca airliner.

The offer to end the campaign came in response to a document issued by the Roman Catholic Church and two former presidents, one of them the head of the ruling Liberal Party.

It was supported by other Colombian political leaders, including the head of the main opposition Conservative Party and the leader of the main left-wing party, the Patriotic Union.

However, the Barco Government was quick to scotch any suggestion of trading a pardon for the drug barons in

return for a halt in cocaine exports.

The barons' offer comes before an international drugs summit at Cartagena in Colombia in February, when the US and the Andean states will discuss options for dealing with the problem. But US strategy is under a cloud after the decision to postpone the US naval operation off the Colombian coast. This is an embarrassment for President George Bush, who sought by telephone only last week to reassure Mr Barco about the merits of the plan.

The Colombians were enraged when the US Defence Department disclosed the operation prematurely late last month and allowed it to be known as a "blockade" of Colombia. Coinciding with the US invasion of Panama, the operation amounted to a case of "bad timing, bad handling, in other words, a mess," said a Washington diplomat.

This week, the Pentagon was due to

unveil its plans for expanding the US military's role in anti-drug operations. The deployment of an aircraft-carrier battle group with support ships and aircraft, was to be the centrepiece.

Several questions remain, though, as to whether such a costly, sophisticated deployment would be the best tool to combat drug trafficking. Some observers describe the plan as "gross overkill."

The administration has shelved the carrier group plan but it seems certain that Mr Bush will promote, at the Cartagena meeting, some closer military co-operation with Colombia and other Andean countries, not least because the authorities need more information about the pattern of drug trafficking and the intensity of activity, particularly the number of cocaine-carrying aircraft leaving Colombia for the lucrative US market.

## US airlines report rise in annual air crashes

US AIRLINES had 11 fatal crashes last year, the most in a single year since 1968, the National Transportation Safety Board said yesterday, AP reports from Washington.

In all, 278 people were killed in 1989 in flights involving scheduled and non-scheduled air carriers, down slightly from the 285 in 1988, the board said.

The most deadly year of the decade was 1985 when 526 people were killed in seven fatal commercial aviation accidents. The least destructive year was 1980 when only one fatal accident took place, killing just one person.

Also last year, 783 people died in accidents involving private or general aircraft, the safety board said, the lowest figure for that category since it began keeping statistics. There were 781 deaths involving general aviation accidents in 1988.

The board said the fatal accident rate for general or private aviation continued an improving trend that lasted most of the decade.

Despite the high number of airline accidents involving fatalities last year, the overall accident rate for commercial air carriers and commuters declined, the safety board said.

There were 28 accidents involving US scheduled and charter airlines last year, a decrease from the 32 accidents recorded in 1988. The 11 involving fatalities were the most since the 15 of 1983.

The fatal accident rate was 0.144 for every 100,000 scheduled and charter departures, up from 0.026 in 1988.

The major scheduled US airlines had 24 accidents last year, down from 31 the previous year. Of those two dozen accidents, eight involved fatalities, the most since 1973.

Accidents involving scheduled airlines took 131 lives last year, 111 of them when a United Airlines DC-10 crashed in Sioux City, Iowa on July 19. The safety board noted that a passenger who died 31 days after the accident was not registered in its statistics.

## Brazilians urged to confront apocalypse

Restructure economy or face social explosion, say economists, John Barham reports

AGAINST all the odds Brazil's economists have reached a conclusion — and it is apocalyptic. Professor Joaquim Cirne de Toledo of the University of São Paulo said: "We must have a major stabilisation programme which will bring painful collateral effects of recession. We must cut off — scrap — pieces of the economy."

Prof Toledo's pessimism, widely shared among his colleagues, might seem out of place. Preliminary government figures say gross domestic product expanded between 3 and 4 per cent in 1989. Unemployment has fallen officially to 2.5 per cent. Industry is working at full capacity. Corporate profits have increased sharply. The trade surplus has fallen by more than 15 per cent as exports declined and imports surged.

The problem, of course, is inflation. Prices rose by 1,765 per cent last year — a record — and may hit 70 to 100 per cent in March, when President-elect Fernando Collor de Mello is to take office. Inflation has created an artificial boom as consumers hurry to dump rapidly depreciating currency

for tangible assets. Companies increase their stocks for the same reason.

Prof Toledo could have spoken for all Brazil's economists when he said: "Because Brazilian inflation has very deep roots, in the structure of society, it is not enough to change a few things. The structure of the economy must be changed."

He and other would-be reformers point to an over-blown financial sector, which might have to shed various banks, and to heavy industry, car manufacturing and the protection of domestic computer makers against imported competition, as examples of the need for severe trimming.

The prospect of the elimination of uncompetitive industries and of economic liberalisation, horrifies the industrial establishment and unions. Yet the rewards of reform would be great, say the economists. It would enable the economy to grow again at 7 per cent a year (Brazil's average growth rate between 1945 and 1981).

Industry would become more efficient as it responded to new price structures purged of such distortions as incentives, sub-

dies and low prices for government-supplied inputs. Prices would fall and the quality of goods would improve as competition from abroad penetrated the economy.

Despite the grim outlook for this year, private companies plan to go ahead with investment plans. A survey by Exame, a business magazine, found that Brazil's biggest companies plan to raise investments 17 per cent to the equivalent of \$13bn in 1990. A further \$15.2bn could be invested in 1991.

Even so, change would be painful in a country as poor as Brazil and, in any event, success is far from guaranteed. Adjustment may take too long to be politically viable in an unstable democracy.

Mr Collor is due to take office on March 15. Observers doubt he will dare implement radical reform. This week his transition team began detailing an emergency policy to stop inflation in its tracks, abolish subsidies and liberalise the economy. But Mr Collor says he will keep his campaign promise not to cut wages or growth. Brazil's last two presidents

have shrunk from radical surgery. They have muddled through with considerable success. But the illusory prosperity has made people complacent and the economists are made to sound like dangerous prophets of doom.

Inflation is an opiate in Brazil. The poor, inflation's greatest victims, are beguiled by the illusion of wages that rise by more than 80 per cent a month. Prices lose meaning. The business community's judgement is blurred by the massive profits seemingly earned by constant raising of prices. The muted classes profit from leading the government at extortionate interest rates.

Mr José Geraldo Cardenelli, an executive of the Pão de Açúcar retailing group, said profound economic adjustment "will only work if society is prepared to back radical reforms and I don't feel there is a consensus for this." Another observer added: "Each social group cynically believes it can beat inflation and so the government cannot control inflation alone."

Mr Collor, as the first popularly elected civilian president in 29 years, must compromise

with Congress, employers and trade unions.

However, Mr Walter Barilli, an economic adviser to the left-wing Workers' Party, said: "Real wages have been declining for years, but that has never moved businessmen to stop inflation." Companies blame the government, which they say has never cut spending, which they say is the real cause of inflation.

Mr Collor's policies will have to be approved by Congress. But most of its members will face elections in November, when Mr Collor's tiny National Reconstruction Party (PRN) will need to win many votes to strengthen the government's backing in Congress.

But there is a growing sensation that, unless Mr Collor acts decisively, Brazil could soon be consumed by a hyper-inflationary conflagration, which would be far more costly, far more threatening than recession.

Mr Wallace Cochran, a banker, said: "We must realise that the election was perhaps the last opportunity for a peaceful revolution. Poverty leaves a social explosion imminent."

## Mexican debt deal to be signed

MEXICO'S new bank financing package, to operate from 1989 to 1992, will be signed on February 4 at a ceremony in Mexico City, President Carlos Salinas de Gortari is keen to use the occasion to meet senior bankers in Mexico, reports Deborah Hargreaves.

The Mexican government has invited senior executives of the 15 advisory committee of creditor banks to the ceremony. Non-committee banks will sign the loan documents in New York on February 7.

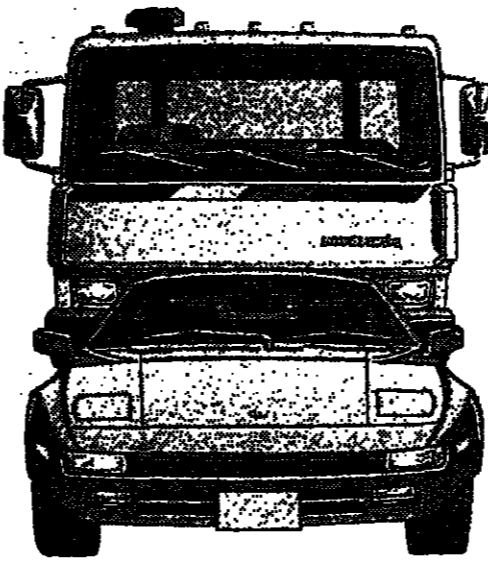
Mexico and the banks reached final agreement last week on the refinancing, which will cut \$7bn from the country's commercial bank debt and cut its annual interest bill.

About 450 banks are participating in the package, which covers Mexico's \$48.5bn in medium and long-term debt. The signing will mark the first successfully completed debt reduction deal done under US Treasury Secretary Nicholas Brady's debt initiative, which he unveiled in March 1983.

The Philippines and Costa Rica have also negotiated debt reduction programmes under the plan but have yet to sign their deals.

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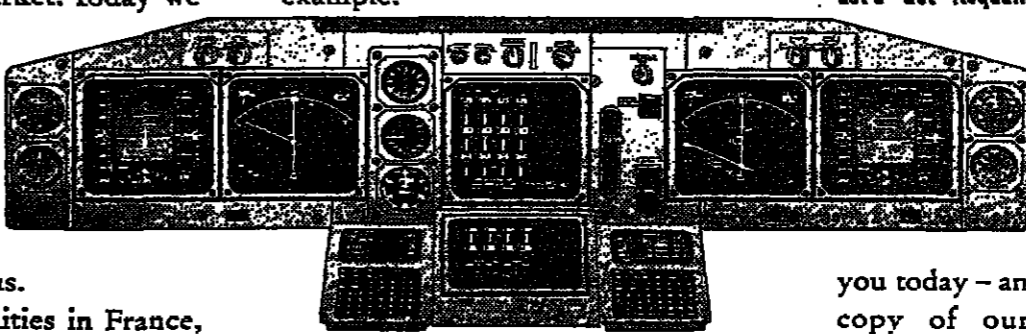
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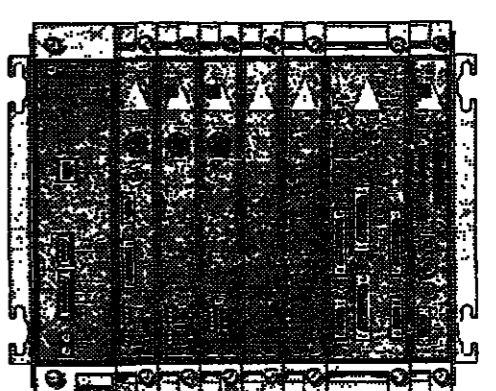


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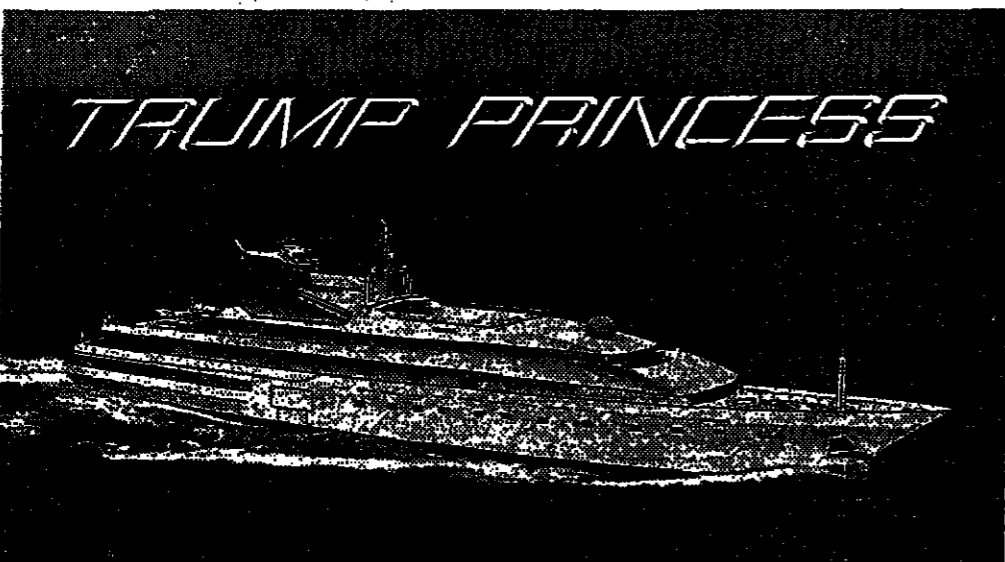
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FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

## Toyota wins ambulance contract

By Robert Thomson

TOYOTA Motor Corporation, the Japanese car maker, has won a contract to supply 2,550 ambulances over the next 10 years to Hungary, a spokesman for the company said yesterday.

The company has reached agreement with a Hungarian trading corporation, Technolimpex, and will export 1,300 two-litre vans over the coming five years, and a further 1,250 vehicles in the second five-year stage of the contract.

A Toyota spokesman said that the company exported only 55 vehicles to Hungary last year, after exports of 181 vehicles in 1988, and 107 units in 1987. The company would not say how much the contract was worth.

The Toyota export contract follows an agreement last week by Suzuki, another Japanese car maker, to establish a joint venture to produce compact cars in Hungary.

## China plans Thai truck venture

CHINA plans to manufacture trucks in Thailand in its first vehicle joint venture outside the country, the official China Daily said yesterday. AP-DJ reports from Peking.

The Jinan Heavy-Duty Trucks Group is negotiating with Chai Tai Group of Thailand for a project to produce 1,000 trucks a year for export, the newspaper said, quoting the China National Automotive Industry Corporation. It is hoped to reach an agreement in March or April.

Plans call for the joint venture to produce a 10-ton Humber (Yellow River) truck designed by the Jinan Automotive Works of eastern China's Shandong province.

The Bangkok-based Chai Tai group is a big agricultural conglomerate. It has invested more than \$100m (\$50m) in 28 joint ventures in almost 30 Chinese cities, the newspaper said.

## Shanghai to assemble GPT kits

By Michael Skapinker

GPT, the British telecommunications equipment maker, is to supply kits for 29 digital business switchboards which will be partly assembled in Shanghai.

Although GPT has previously sold complete switchboards in China, these are the first partly assembled kits to be supplied under a joint venture agreement signed last year. The deal is part of a phased transfer of technology which will see the switchboards being manufactured in their entirety in China by 1992.

Under the \$150m agreement, GPT joined forces with the China International Trust and Investment Corporation and with Factory 520, the biggest telecommunications plant in China, to form the Shanghai International Digital Telephone Company (SITC). SITC will supply the GPT business switchboard throughout China.

GPT is providing the partly assembled kits from its Beeston site in Nottingham.

## EC upholds duties on CD players

By David Buchan in  
Brussels

EC governments, except for Britain, have confirmed the imposition of anti-dumping duties ranging from 8.5 to 32 per cent on compact disc players from Japan and South Korea.

The Council of Ministers decision means that the European Commission will retain the duties it provisionally imposed on the CD players in last July. The Commission rejected an offer by several Far East CD exporters to raise their prices in the Community market, on the grounds that such price undertakings would be hard to monitor given the wide range of CD models.

Britain abstained in the Council vote, arguing that the Community industry did not need to offer models right across the CD range and that the Commission had not taken into account interests of EC consumers, only those of the main EC producers.

The Commission claimed that Philips, Grundig and Bang & Olufsen had been harmed by dumping which had by 1987 pushed the Japanese share of the Community CD market to 70 per cent and the Korean share to 5 per cent.

## WORLD TRADE NEWS

## Irish exporters fear being made Europe's passenger

Kieran Cooke on the costs and delays in getting goods to market

MR TOM Delahoyde deals in mulch. His Avondale Garden Products company, in Ireland's County Wicklow, is doing a booming business exporting processed tree bark for decoration and fertilizer on the gardens of Britain and continental Europe.

But along with many other Irish exporters, Mr Delahoyde is fighting an ever more difficult battle to ship his company's products out of the country.

A sharp increase in Irish exports is causing shipping problems. Exports were worth £10bn (£9.5bn) in 1987, more than £12.5bn in 1988 and are likely to have topped £14bn last year.

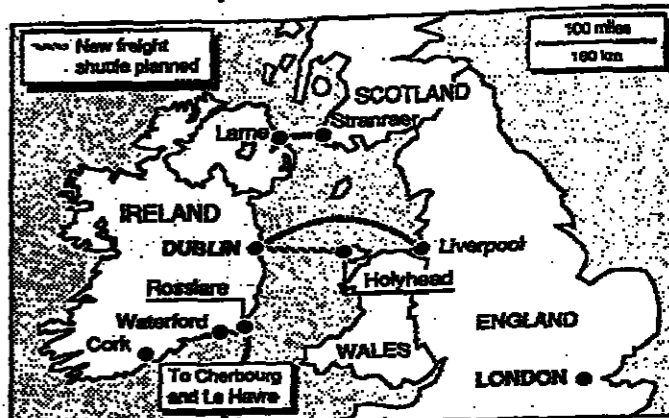
Exporters say that if present trends continue and the Government does not take urgent action, Ireland could fall by the European single market way-side.

When the channel tunnel is complete Ireland will be the only country in the European Community not directly linked with the continent.

The Irish Sea remains one of the most expensive stretches of water in the world. Compared with other European sea crossings, services are infrequent and vessels outdated. There are daily ferry services to the British mainland from Dublin, Rosslare and Waterford, the country's main ports, but crossings to ports in France - Cherbourg and Le Havre - are limited in winter to three a week.

Many Irish exporters prefer to send their goods by the longer route via Larne in Northern Ireland, where ferries depart for Stranraer in Scotland. "We export more than 90 per cent of our goods through Larne," says Mr Delahoyde.

"It's still prohibitively expensive to get goods out of ports in the Republic, plus there are delays. We have to have exports delivered on time, if not we lose contracts."



Companies from the far south of Ireland often prefer to use the Larne/Stranraer route, even when goods are being delivered to the south-east of England or to western France. Roll-on roll-off ferries run almost continuously out of Larne - with more than 150 sailings a week. There are only about 80 sailings a week out of the Irish Republic's main ports.

Freight charges and port handling costs are far lower in Larne. The Larne port authorities work in shifts for 24 hours a day. In the Republic's ports work is from 8am to 5pm, everything else is overtime - and higher costs.

Mr John Kenna of the Confederation of Irish Industry says that transport costs account for about 9 per cent of the export value of Irish goods, compared with 4 per cent or less in most other EC countries.

"Ireland's economy is export led. We export between 60-70 per cent of our industrial output. Our road system is about 20 years behind some parts of Europe. We have to bring a whole range of transport, customs and port costs down."

Mr Kenna feels the EC should discriminate positively in Ireland's favour to overcome problems of access. Some say Ireland, as a "less developed region", has already had more

than its share of the EC cake.

The Government plans to spend more than £1bn over the next four years to update the transport network. While much attention is being given to an extensive road building programme, exporters feel that not enough is being done to ensure adequate ferry services across the Irish Sea.

Mr Seamus Brennan, Ireland's Minister for Tourism and Transport, admits that Ireland is a victim of its own programme, exporters feel that plans are advanced for developments in the country's links with the outside world. He says a shuttle ferry service between Dublin and Holyhead in North Wales is being considered.

Ireland has also had a favourable response to requests to Britain for updating the road and rail connections with ports on the other side of the Irish Sea. There are also plans to develop an extensive air freight shuttle network.

"It's a new language in Europe now," says one exporter. "If the importer in Barcelona says he wants his goods there at 7am he means it. He's not going to listen to excuses about a lack of ferries or customs delays in Dublin. We must invest in the future now or else we'll be left behind."

## BAe looks to sanitary ware to keep up momentum of Saudi deal

By David White, Defence Correspondent

BRITISH AEROSPACE is proposing to branch out into sanitary ware and feed additives for farm animals in its effort to keep up the momentum of the industrial offset programme attached to the \$150m UK-Saudi al-Yamamah arms deal.

The offset projects are part of a programme aimed at bringing £15m of UK investment into Saudi Arabia. BAe, prime contractor for the arms supplies, is a partner in five of the eight proposals submitted so far.

The latest ideas involve acrylic sheet production - initially for sanitary ware but later for other uses such as furniture and boats - in collaboration with Rostero International of Switzerland, and a single cell protein plant with Dansk Bio-protein of Denmark. Both would use local raw materials.

UK officials said the value of the ventures would depend on the results of feasibility studies.

Only two offset projects have been approved by the Saudis so far - a missile repair and maintenance facility, and Rolls-Royce's involvement in the planned Middle East Propulsion Centre for overhauling jet engines.

Officials said they expected at least one other project to be approved shortly. The list of proposals includes an aluminium complex, an ordnance factory, a facility for making polyethylene yarn and computer training centres.

Edward Reynolds adds from Dubai: Lord Trefgarne, Britain's Trade Minister, has insisted that the al-Yamamah defence contract with Saudi Arabia is going ahead as planned despite reports that the Saudis have had problems

financing the \$150m deal.

The arms contract to supply Tornado aircraft and a range of other defence equipment was first signed in 1985 and extended in 1988 to become Britain's biggest ever arms deal.

He confirmed that representations were made last year following an accumulation of arrears but he added that the Kingdom had made a "substantial payment" in December which cleared all the outstanding debts. The minister denied that Saudi Arabia was planning any modification of the contract.

Saudi Arabia is paying for part of the contract in the form of crude oil. The UK minister said talks are currently underway between the two sides on increasing the amount of oil supplied from the current level of 400,000 b/d.

## Bridgestone to establish joint venture company in Malaysia

BRIDGESTONE, Japan's top tyre maker, yesterday announced it had established a joint venture company in Malaysia to start production of flexible polyurethane foam products, AP-Dow Jones reports from Tokyo.

Bridgestone officials said the new company, called Bridgestone Armstrong, is owned jointly with Armstrong Industries Singapore Pet and has completed construction of a factory in the Shah Alam industrial district in suburban Kuala Lumpur.

The plant, employing about 40 people, can produce an estimated 300 tons of flexible polyurethane foam that is used for sound proofing, or heat insulation in consumer electric products like air conditioners, vacuum cleaners and refrigerators.

It is the first factory in Asia capable of handling all stages of production of the foam, according to Bridgestone officials.

The joint venture, capitalised at the equivalent of ¥120m (\$845,000), is owned 85 per cent by Bridgestone and its affiliate and the rest by Armstrong.

Bridgestone officials said the polyurethane foam to be made in Malaysia will be sold to Japanese electric companies doing business in that country.

Their company has decided to set up the joint venture, officials said, because of expectation of a sharp increase in demand for the product in Malaysia.

Through manufacture of the foam in Malaysia, they added, Bridgestone will be able to meet the customer demand on a more timely basis and will also be able to contribute to the future growth of Malaysia's exports.

## EC decides to increase steel import quotas

THE European Community (EC) Commission yesterday decided to go ahead with a plan to increase steel import quotas for five Eastern European countries and Brazil, an EC official said, AP-Dow Jones reports from Brussels.

According to the official, the increase would be on the order of 18 per cent.

The Commission yesterday decided to seek a mandate from the EC Council, made up of member states' foreign affairs and trade ministers, to negotiate the quota increases. By raising the quotas, the EC would restore quotas for the countries to their 1987 levels.

Since 1987, EC steel consumption has increased by 21 per cent, while the imports quotas for the six countries have risen by 3 per cent.

The East European countries are Poland, Hungary, Czechoslovakia, Bulgaria, and Romania.

The plan has run into opposition from Eurofer, an association of European steel producers.

The EC official said, however, that the increased quotas would not threaten EC steel producers. He said that of the East European countries, only Poland was able to fill 100 per cent of its EC quota in 1988.

He said the decision to negotiate higher quotas was meant mainly as a gesture of support for the East bloc countries. The decision was also meant to be part of the EC's efforts to dismantle its remaining steel import controls.

The European Community's executive commission yesterday proposed speeding up the 12-nation bloc's plans to scrap substances that attack the earth's ozone layer.

## Britain boosts Soviet exports

BRITAIN boosted exports to the Soviet Union by nearly one third in the first 11 months of last year in a drive to break into new markets in Eastern Europe, Reuters reports from London.

British trade officials said on Wednesday that sales to the Soviet Union totalled \$987m, up 31.4 per cent from January-November 1988.

Exports to all East bloc nations - the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania and Mongolia - rose 15.1 per cent to \$2bn.

They said British businessmen had shown strong interest in breaking into East European markets following sweeping reforms in 1989 and there were now 68 joint venture companies registered with the Soviet Union. Britain's export drive to the Soviet Union made most headway with manufactured and semi-manufactured goods.

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**SUPER SHUTTLE**

## UK NEWS

Big deal in banking sector

## Australians set to buy Yorkshire Bank for £900m

By David Lascelles, Banking Editor

NATIONAL Australia Bank is believed to have emerged as the winning bidder for Yorkshire Bank, the UK regional bank which has been offered for sale by its four clearing bank owners.

Details of the sale are expected to be announced today.

The deal will be one of the largest of its kind in the UK bank sector.

Banking analysts calculate that the sale price will be in the region of £900m (\$1.5bn), putting it close to last month's record £950m bid for Morgan Grenfell by Deutsche Bank.

Although about a dozen banks are thought to have shown an interest in buying Yorkshire, NAB appears to have had only one serious counter-bidder in the final stages of the three-month-long negotiations. This was a joint effort by Dresdner Bank and Banque Nationale de Paris.

The deal will make NAB by far the largest foreign bank in the UK high street banking market. It already owns the Clydesdale Bank in Scotland and the Northern Bank in

Northern Ireland, both purchased from the Midland Bank three years ago.

The sale had been expected to attract much stronger interest from other European banks, for whom Yorkshire presented an opportunity to gain a foothold in another market ahead of the 1992 integration of the European Community. However, the high price tag placed on Yorkshire must have deterred many prospective bidders.

Yorkshire Bank has for many years been the most profitable bank in the UK, meaning that any buyer would also have to have the full support of Yorkshire's current management if it were to make the most of the acquisition.

Yorkshire's owners are National Westminster with 40 per cent, Barclays which holds 32 per cent, Lloyds with 20 per cent and the Royal Bank of Scotland with 8 per cent.

The bank has 247 branches, mostly in the north of England, and is believed to have earned a profit of about £115m before tax last year.

## Teaching the 'dub-dubs' to spread a little happiness

Lisa Wood visits an American-style restaurant where teamwork is encouraged to give better service

EARLY every morning at the TGI Friday's American-style bistro in Reading, south-east England, there is a scene redolent of the roll call in *Hill Street Blues*, the American television series.

Walters, waitresses and kitchen staff at the restaurant, just like the police in the fictitious US police station, attend a regular "pep talk" conducted by a member of the management team. The style and tempo are up-beat and the objective is to get the adrenalin flowing.

"The idea is not necessarily to make work fun," said Andrew Simpson, the restaurant's general manager, as he made a small drama out of presenting badges to the month's ten best "dub-dubs" (the chain's nickname for waiters and waitresses) at the day shift's meeting. "But this place runs like any team enterprise - you would never go out to a football pitch without a talk from your captain."

Team working is a philosophy much vaunted at TGI Friday's, a large restaurant chain started in Manhattan and now being developed under franchise in the UK by Whitbread, the brewing and retailing group. Whitbread has six such outlets - distinctive with their red-checked tablecloths, Tiffany lamps and antique bric-a-brac.

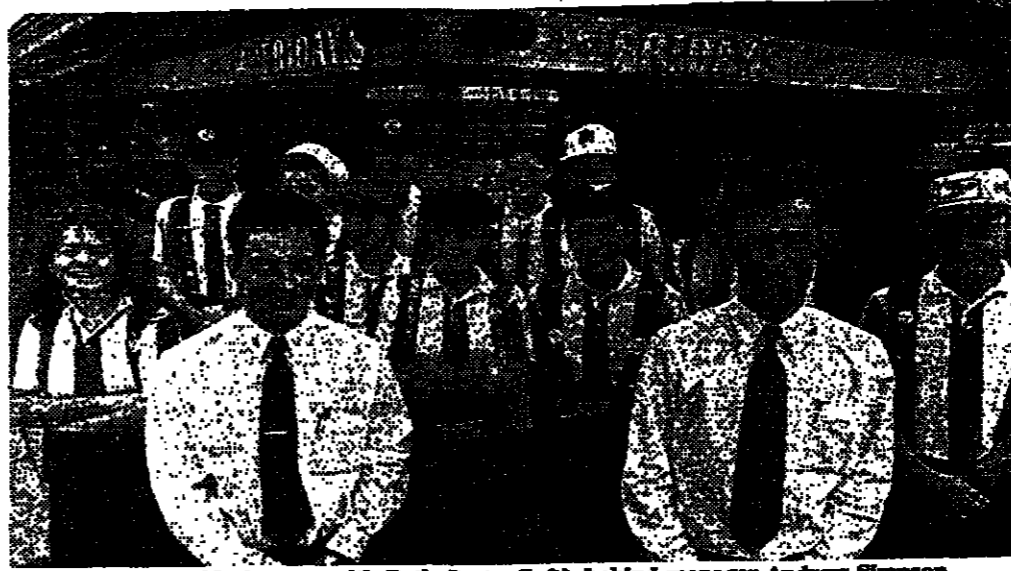
Different employers mean different things when they talk about team working and its formal development has tended to be most conspicuous in the manufacturing sector. But it is also well-suited to service industries where the need for people to pull together, be committed to the same objectives and to work with some degree of flexibility is at a premium.

Team working objectives at TGI Friday's were summarised by Beth Gertz, an articulate 21-year-old American student, who trained in a TGI Friday's in the US and is now working in the Reading restaurant.

Miss Gertz said: "For me, team working means that a group of people abide by a shared ethic of service. When guests walk through the door we should all be committed to making them welcome and giving them a good time. One ingredient of that is we do not wait to be asked - if guests sitting at a table which is not mine, for example, ask for something I provide it. If there is dirty crockery around, I shift it."

Most British restaurants would pay lip service to such noble ambitions. But the reality is that waiters and waitresses are often surly and ill-disciplined in a business that has always paid poor wages and offered little training.

Visitors to the US, in con-



A smiling TGI Friday's team with Beth Gertz (left) behind manager Andrew Simpson

trast, are struck by the quality of service, with smiling waiters - sometimes over-attentive for British tastes - solicitous of every need.

It does not happen by accident. "Hard work is involved," said Tony Hughes, the chain's UK managing director, who, like all his managers, spent time in the US being drilled in the TGI Friday's culture.

Selection is the start of the process - with the restaurant chain looking for extroverts. In

Reading for example, a town with less than 1 per cent unemployment, TGI Friday's management team hired a barge and advertised in newspapers for people to come along and attend "auditions". Party pieces included juggling glasses and flipping beer mats. Formal interviews of people interested in working at the restaurant follow.

"It is difficult to get people of the right calibre, and so we really push TGI Friday's and

try to make it special," said Mr Hughes who admits to a reluctance to hire from the local queues. "It's a certain personality and attitude that we are looking for."

Training, both on and off the job, lasts up to six weeks for hourly paid staff. Multi-skilling is not attempted, as in some forms of teamworking.

The enterprise is pulled together by the inculcation of a corporate culture - from company jargon, like "dub-dubs",

to an examination in the first week on 27 "employee philosophies and theories" contained in a small white book.

The "Five Easy Pieces Theory" for example derives from an incident in a film of the same name. Here the star, Jack Nicholson, is told that the restaurant does not serve whole-wheat toast. So he orders a dish in which toast is a component - without the rest of the ingredients. He is ordered to leave by a furious waitress.

The TGI Friday's handbook instructs: "We use this theory to reinforce the fact that if the guest wants an item and we have the ingredients to produce it, we will cheerfully make it and sell it to him."

Good work is rewarded by mechanisms like the "top ten" awards, based on several criteria, and a formal recognition programme of badges and stars. While these awards do not bring hourly paid workers any increase on their basic £3 hourly rate they are allowed to pick their own shifts. This can bring extra money because staff also earn a commission based on shift turnover.

For those who fall out of the "top ten" there is a quiet chat - based on the "hamburger stand theory" (page 10 in the white book) which is about the hamburger salesman who fell out of grace from God and was cast from the Garden of Eden.

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If you'd like to know more about any part of the Sutcliffe Services Group, ring Robin Booker on 01-995 8200, or write to The Sutcliffe Services Group, Mulliner House, Flanders Road, London W4 1NN.

# SUTCLIFFE SERVICES GROUP

CATERING TO BRITAIN'S BUSINESS NEEDS

## Single-issue party launched to combat new health reforms

By Alan Pike, Social Affairs Correspondent

A SINGLE-ISSUE political party dedicated to helping defeat the Government over its National Health Service reforms, was launched yesterday.

The NHS Supporters Party will contest by-elections and field up to 50 candidates in Conservative seats at the next General Election. Its founding members are three general practitioners, but they want to build support outside the health service.

Dr David Watts, an Ayrshire GP and one of the founders, said the Government was "hell-bent on rushing into the destruction of the NHS", and all conventional forms of protest had been ignored.

"This is not a doctors' party, and it can succeed only if it spreads to involve the whole community."

The party intends to stand against the Prime Minister and all the English, Scottish and Welsh health ministers at the next General Election.

All other seats contested by the party, say the founders, will be ones which the Conservative Party would normally expect to hold. The leaders of the new party are aware that they are open to the charge that, by standing alongside established parties which are also opposed to the health reforms, they will split the vote

and increase the chances of Conservative candidates holding their seats.

Dr Christopher Tiarke, a Welsh GP who stood as an independent pro-NHS candidate at the Vale of Glamorgan by-election, said seats would be chosen to minimise the risk of the NHSSE defeating its own object and letting Conservatives in. It would be possible for the party to advise its supporters on how to vote at a General Election.

The party's first public meeting took place last night in Finchley, North London, the Prime Minister's constituency. Item one on its manifesto declares that it has been established "to ensure that market forces, competition and commercial considerations do not govern the delivery of health care."

One of the party's first actions has been to write to MPs serving on the parliamentary committee which is considering the National Health Service and Community Care Bill. The letter argues that competition within a cash-limited health care system would produce winners and losers, and warns: "Your activities on this committee will be closely monitored. The NHSSE will ensure that the electorate in your constituency is fully informed of your activities."

## Buy-outs survey puts UK well ahead in Europe

By Charles Batchelor

MORE than 300 buy-outs valued at a total of £20.4bn were carried out in Europe during the 1980s, according to accountants Peat Marwick Mainwaring.

The UK accounted for three-quarters of these deals followed, at some distance, by France, which accounted for just over a tenth by value. Peats only takes into account deals worth £10m each or more in its figures but it estimates that deals worth less than £10m would increase the total value by about 15 per cent.

The buy-out technique was imported into Britain from the US in the late 1970s and so became established earlier than on the Continent where the first large (£10m plus) deal the £88m purchase of Van Nille the Dutch coffee and tea group, from Nabisco, the US foods group - was in 1985.

It is for this reason that the UK dominates the European buy-out figures accounting for 830 deals worth £15.65bn between 1980 and 1989. Continental Europe accounted for 78 deals worth £4.72bn though Peats believes its figures are understating the number.

France accounted for more than half of continental European activity or 26 deals worth £2.37bn. Activity in France increased following the easing in 1987 of the rules which required employees to hold 51 per cent of the buy-out company for it to qualify for tax relief.

The second largest continental buy-out market was Sweden with eight deals worth £744m followed by Germany with nine deals worth £479m. In Italy 10 deals worth £404m were completed followed by Spain with two deals worth £176m.

## British Coal chief warns of global cooling

By John Hunt

GOVERNMENTS should be preparing for a cooling of the Earth's atmosphere instead of trying to prevent global warming, Mr Jim Harrison, director of British Coal Corporation's research establishment, said yesterday.

"We may be moving towards a period of cooling in the next century as the next phase in the sun's cycle of activities comes around," he told the Institute of Petroleum in London.

"And we may find we have been preparing for exactly the opposite conditions to those we actually experience."

His views will anger environmental organisations which have been urging governments to take action to prevent global warming. They blame coal and other fossil fuels for causing the build-up of carbon dioxide which is believed to be the main contributor to the so-called greenhouse effect.

Recently there has been a backlash among some academics against the assumption that mankind will face a global environmental crisis unless measures are taken to reduce emissions of carbon dioxide. Mr Harrison quoted the recent study by the George C Marshall Institute in Washington in support of his argument. This suggested a closer correlation between temperature changes and solar activity over the past 100 years rather than with the creation of man-made greenhouse gases.

Mr Harrison doubted whether acid rain is the only cause of the decline of forest and pollution of lakes in Europe. "The Scandinavians claim that the sulphur from coal-fired power stations in the UK is contributing to acid rain in their countries."

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The explosion of race riots and virtual civil war in Azerbaijan, on the southern rim of the Soviet empire, could scarcely have come at a worse moment for Mr Mikhail Gorbachev.

The Soviet people are locked in a bitter winter of discontent from Yerevan to Yakutsk, eking out poor and often rationed food supplies, erratic energy, and the same old rotten and scarce consumer goods.

There were angry demonstrations in Svetlovsk, the industrial capital of the Urals, when vodka and foodstuffs were unavailable even for ration coupons. In the heart of the Ukraine, at Chernobyl, something like a riot happened when a Communist Party car was discovered loaded with sausages and vodka.

Economic dislocation is fanning the flames of national discontent, as in Georgia, where power cuts have instantly aroused rumours of a deliberate Soviet blockade to undermine nationalist demonstrations.

In Siberia, maintenance engineers cannot keep the oil wells open, because there is no aviation fuel to fly them there. Across the country, the ruling party is in turmoil, faced with another round of local elections in the next two months.

Meanwhile Mr Gorbachev himself is right in the middle of an acutely sensitive exercise to defend the first open demands for secession from the Soviet Union, from the Baltic republic of Lithuania. He is trying to head off his own allies in the Lithuanian Communist Party from leaving the Soviet Party.

For the first time ever, Soviet television viewers have been confronted with a debate about a republic seceding — and have seen their head of state forced to use every ounce of his personal prestige and charisma to counter the arguments, without success.

Mr Gorbachev has been trying to promote a vision of a genuine federation of sovereign socialist republics — with real autonomy for the constituent republics, unlike the rigid centralism of Moscow rule they have suffered in the past. To do that he must overcome decades of accumulated scepticism.

Meanwhile his party, and those other pillars of the Soviet establishment, the military and the KGB, are still trying to digest the implications of the counter-revolution in eastern Europe. Events there have already strongly encouraged the nationalism of almost 30 Romanian speakers in the border republic of Moldavia. In Lithuania, the native population openly compares itself with the peoples of eastern Europe outside the USSR — and demands similar treatment.

When Mr Gorbachev came to power almost five years ago, nationalism was one threat he did not seem to perceive. Unlike his predecessors Leonid Brezhnev and Nikita Khrushchev, he had never served time outside the heartland of the Russian federation.

Today he rates nationalism as a real threat not only to the cohesion

Mr Gorbachev is desperately trying to hold the union together as nationalist fervour mounts, says Quentin Peel

## Dagger at heart of perestroika

of the union, but also to the survival of his entire perestroika reform process. He faces national movements with the same slogan of extremism, whether they are the peaceful Baltic type, or the violent mobs of Azerbaijan.

Now he has been forced to send thousands of troops to intervene in the bloody rivalry between Armenia and Azerbaijan, after two years of attempts to defuse it and force the two sides to negotiate.

No one disputes the need for the emergency measures. The slaughter of Armenians in Baku last weekend was only the latest ghastly manifestation of the conflict. For months armed gangs have been fighting a guerrilla war in the hills of Nagorno-Karabakh, the disputed enclave in which an Armenian majority wants to leave the jurisdiction of Azerbaijan, and unite with Armenia itself. A few thousand Interior Ministry troops have been incapable of bringing the situation under control, and now it has degenerated into open trench warfare.

But even if the conflict is seen as one of a kind, it is still perceived back in Moscow as yet another manifestation of the surge of nationalist sentiment since Mr Gorbachev opened the floodgates of glasnost. It is seen in the Russian heartland as another sign of the decline of their empire, and the demise of central authority. It is too easy from that point to blame the collapse on the perestroika process and not on the years of repression which preceded it.

Indeed, what is happening in the Trans-Caucasus already contains many seeds of potential separatism, as well as straightforward inter-ethnic violence. Azerbaijanis are venting their wrath not only on the Armenians, but also on Soviet troops and on the border guards who are stopping them from making common cause with their relations in Iran.

So how can the Soviet leader meet enough of the nationalist aspirations to calm them, and yet keep his Russian heartland quiet?

Cold logic suggests he should let the rebellious republics go. Who needs the tiny Baltic states? Estonia and Latvia are even smaller than Lithuania. They could become glorified free trade zones for the foreign capital the Soviet Union wants to attract, a window on the West to

compete with neighbouring Finland. As for the Trans-Caucasus, its irrepresible peoples have been a headache for every invader since the Romans, when Fliny complained they needed more than 100 interpreters to make themselves understood. Why not let them quit?

If such thoughts have crossed Mr Gorbachev's mind, they have never passed his lips. Quite the opposite.

The current party and state leadership will not permit the disintegration of the union state," he declared on Christmas Day, to a storm of applause from his ruling central committee. "The actions required to preserve the union and to ensure its unity are a strict necessity, and there should be no illusions concerning the centre's intentions and capabilities."

Behind that national unity, the one other thing he was adamant about was the unity of the Communist Party. "The limits beyond which one must not go must be clearly outlined," he said. "One such limit is the impossibility of rejecting the single structure of the CPSU... It is not clear that in crossing that line, it can be said we will be deliberately taking matters in the direction of dismembering the USSR, and that is an historic impasse for the peoples of the Soviet Union."

Such limits are the impossibility of rejecting the single structure of the CPSU... It is not clear that in crossing that line, it can be said we will be deliberately taking matters in the direction of dismembering the USSR, and that is an historic impasse for the peoples of the Soviet Union."

In that backlash, perhaps the greatest unknown factor is the Soviet military. The one meeting Mr Gorbachev held in Lithuania which was virtually unopposed was his talk with the Red Army command. Yet in his efforts to persuade the Lithuanians, he warned repeatedly of the security threat to the whole nation if they insist on their right to secede. He also stressed the military investment in the region.

Indeed, he must be acutely aware that the Red Army mess rooms may already be echoing Lady Bracknell: "To lose eastern Europe, Mr Gorbachev, may be regarded as a misfortune; to lose the Baltics, too, looks like carelessness."

Mr Gorbachev went to Lithuania and found a population overwhelmingly supporting a secessionist line. If he did not see, he certainly heard, the massive demonstration for "freedom and independence" on

Cathedral Square, and all the church bells which rang out to mark the moment.

His words there were probably aimed not so much at persuading Lithuanians to come back to the fold, as in persuading his Russian constituency that he was doing everything in his power to dissuade them, short of using force. He is offering a rosy vision of true federation and admitting that the federal constitution of the USSR is not worth the paper it is written on.

"Up to now our state has existed as a centralised and unitary state, and none of us has yet had the experience of living in a federation," he said. He proposed "a full-blooded federation in which all republics will be able to feel they really are sovereign states."

The Lithuanians were deeply sceptical. When he promised a new law on the process of secession, they accused him of deliberate delusion: the law would make it more difficult, not easier, in the view of Mr Vytautas Landsbergis, a moderate leader of a moderate nationalist movement, it was "a cheap lie for naive people in the West."

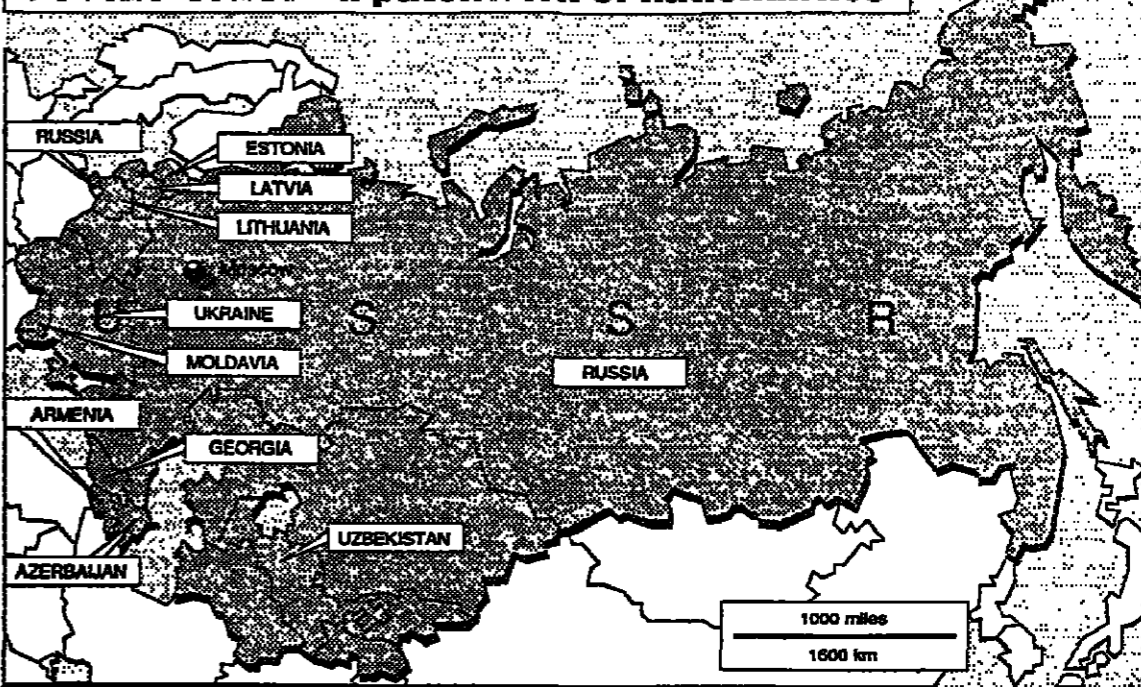
The problem for Mr Gorbachev now is not just that the nationalist tide has gone beyond the reach of his persuasion. The logic of his perestroika reforms is also accelerating the process.

His attempts to decentralise the economy, and break the sterile monopoly of ministerial control, is actually encouraging the formation of independent economic states throughout the union.

In an economy dominated by shortages of virtually every important commodity, whether industrial inputs or consumer goods, allowing economic decision-making to be taken at republican or even regional level is simply encouraging the erection of economic barriers. Not only the Baltic states, but many cities and regions have now introduced a rationing system reserving their local produce for local residents. If there is a surplus, it is bartered, not sold, for a deficit good.

Mr Gorbachev argues forcefully that the little republics cannot afford to break away from the union. He automatically assumes that it would mean cutting all their economic links with the centre. Yet his reforms are encouraging that process.

### SOVIET UNION: a patchwork of nationalities



#### THE BALTIC REPUBLICS

■ Estonia, Latvia and Lithuania are steadily moving towards ultimate independence. All are holding multi-party elections for next year; all have abolished the "leading role" of the Communist Party. Lithuania, where 80 per cent of the 3.5m population is Lithuanian, is most committed to outright independence. Estonia has always pulled back from final confrontation, but faces a backlash from its Russian-speaking minority. Latvia is in the most difficult situation, with natives now in a minority, but as a result more potentially radical than the rest.

#### THE TRANS-CAUCASUS

■ The most explosive melting pot. The dispute between Armenia and Azerbaijan over who should control Nagorno-Karabakh is now sinking into virtual civil war. In Azerbaijan, the increasingly militant Popular Front has seized the initiative from the Communist Party, many of whose officials openly co-operate with the nationalists. Growing minority demands for reunification of the Azerbaijan nation in Iran and the Soviet Union. In Armenia, the Party barely in control, with much influence passing to the Armenian National Movement. Yet the earthquake of December 1988, and two years of ethnic riots, have put off immediate thoughts of secession.

In Georgia, demands for independence, dismissal of the Communist Party government, and revenge for the massacre of 20 demonstrators by Soviet soldiers in Tbilisi last April, still dominate debate. But independence movement fragmented, and the situation complicated by two local ethnic conflicts: the demand by Abkhazians to have complete autonomy from Georgia in the west of the republic, and by South Ossetia to join the Russian federation in the north.

#### CENTRAL ASIA

■ The great soft underbelly of the Soviet empire is apparently quiet, but deep tensions exist. The fear is that as in Azerbaijan, they could swiftly become very violent. Corruption endemic in Central Asian Communist Parties, especially in Uzbekistan. Environmental disasters like the destruction of the Aral Sea, poverty, malnutrition, high child mortality and unemployment, all aggravated resentment of Soviet rule.

Race riots between Uzbeks and Meskhetian Turks — exiled to the republic by Stalin — left 99 dead last June. Land hunger, unemployment and Moslem rivalries all blamed. Resentment against migrant workers was behind clashes in oil industry town of Novy Uzen in Kazakhstan in June, and further disturbances in Semipalatinsk in September. In each case, race and economic deprivation combined.

#### THE WESTERN FRONTIER

■ The overthrow of Ceausescu in Romania has boosted nationalists in Moldavia, leading to reunification demands. There was already tension between the Romanian and Russian-speaking populations. The Ukraine is Mr Gorbachev's biggest worry: he cannot afford to lose the 50m-strong republic, bread basket of the country, a big centre of industry, and boasting the huge Donbas coal field. But an unreconstructed Communist Party failed to stem the rise of Ruthenian nationalism, strongest in the Western Ukraine. There followers of the Uniate Catholic church are demanding the return of their churches from the state, and the Russian Orthodox church.

tract and delay nationalist demands for outright secession. In the meantime he must reform the ruling party, and prepare the way for the inevitability of a multi-party system. If he can get that far without provoking the threatened conservative backlash, then, and only then, he might be prepared to countenance the secession of some of the most disaffected republics.

## LETTERS

### Shift of values needed for penal reform

From Mr Andrew Rutherford.

Sir, Justice (11 January 15) is surely correct in believing that the forthcoming white paper on criminal justice and the recently announced reorganisation of the Prison Service provide an opportunity to shift the emphasis of penal policy from custody to the community. A new and wide-ranging criminal justice executive, as formulated by Justice, certainly merits careful consideration.

Getting the organisational structure right is why part of what is required of fundamental importance is the need to dismantle the punitive culture that has gathered pace over recent years. The real urgency lies in the realm of political

philosophy, for a shift of values rather than bureaucratic arrangements.

Eighty years ago, Winston Churchill as Home Secretary, ushered in a new and colder generation of attitudes to crime and punishment. It would be heartening if Churchill's words to the House of Commons on July 20 1940 were to find an echo in the deliberations prompted by Mr David Waddington's white paper: "... the treatment of crime and criminals mark and measure the stored-up strength of a nation, and are the sign and proof of the living virtue in it."

Andrew Rutherford, Chairman, Howard League for Penal Reform, 708 Holloway Road, N19

### Loan help for musicians

From Lord Roll of Ipsden.

Sir, Jurek Martin in "No strings attached" (January 11) wrote of talented British musicians' difficulties when they need to acquire stringed instruments of the highest quality, in "competition" with buyers from the rest of the world. The Arts Council, Musicians' Union, Royal Society of Arts and Worshipful Company of Musicians set up the Loan Fund for Musical Instruments 10 years ago, to help them. Its first nine annual reports show that the fund lent 1970/517 to 224 talented young

professionals. The money came from many generous gifts, from business houses, trusts and private individuals, and from "recycling" the loans as they were repaid (over a maximum of five years). Further donations will be greatly welcomed, to enable the scope of the fund to be enlarged: prices of all musicians' essential "tools" (not only stringed instruments) must be expected to continue to go up, and British players will need increased help. Roll, 2 Finsbury Avenue, EC2

### Management's 'muscle-flexing'

From Mr John Lyons.

Sir, With regard to John Gapper's report "Power industry cuts union bargaining" (January 11), it is only technically true that managers have had the choice of staying with collective bargaining or accepting personal contracts. In the majority of cases they have been offered either more money, or the promise of more money, if they accept a personal contract instead.

At the same time, the employers' side of the National Joint Managerial Council refused a claim last year to increase managerial differentials, and also refused to allow the claim to go to arbitration. The employers have not withdrawn from the NJMC, as legally entitled to do. They have undermined it instead.

In the same way most of the employers are refusing to operate the local joint machinery for discussing managerial issues though they know very well that their managers want

to retain some form of joint managerial machinery on a company basis.

However, virtually all the managers involved have retained association membership. They particularly want to have an organisation able to back them up if need be, and which also provides a range of services.

The shortly-to-be-privatised boards of management are flexing their muscles, trying to show how "muscular" they are about how to treat managers. Within a few years it will be found not to work very well, and forms of joint representation machinery will be reconstituted to the mutual advantage of employers and managers.

John Lyons, General Secretary, Engineers' and Managers' Association, Station House, Fox Lane North, Chertsey, Surrey

### E Europe and food shortages

From Mr Tim Roseby.

Sir, David Richardson's analysis of the implications of devaluation in eastern Europe ("How food has changed the face of Europe," January 9) concludes surprisingly that they will lead to a sizeable worldwide shortage of food.

I wonder whether the problem is one of shortage or lack of availability of the right kind of food caused by inappropriate price signals and resource misallocation.

Further, it is not likely that, with anticipated new investment, influx of technical expertise into eastern Europe (food aid will not alleviate long-term problems but will cause fur-

ther market distortions) and more market oriented policies, we may soon see a significant increase in food production there. This will either displace imported food or be exported in search of hard currency.

All the more reason to negotiate effective and universally applicable multilateral rules for agricultural trade rather than contemplate additional food production in less efficient countries to meet so-called "food shortages."

Tim Roseby, Counsellor Agriculture, Australian High Commission, Australian House, Strand, WC2

### Ugandan agriculture and the impact of AIDS

From Mr David FitzSimons and Mrs Hilary Richardson.

Sir, In his article "Ugandan agriculture: a shadow of its former self," (January 11) Julian Ozmame makes a mention of the present and future impact of AIDS.

Among the 16m population there have been more than 7,300 reported cases of AIDS although the actual total is thought to be much higher. Nearly 1m people are thought to be infected with HIV, the causative virus of AIDS.

Most of the people infected are young productive members of society. Their loss will have

serious consequences at individual and societal levels. At the former, costs will be incurred through loss of earnings, through loss of earnings, services, labour and expertise, and there will be costs in terms of increased burdens on households. Children without parents or with dying parents will not be able to afford education, for example. At community level there will be shortages of labour and reduced investment in agriculture, increased costs of caring for the sick and their dependants.

In mid-1987 a survey of 15

hospitals in Uganda showed that 42 per cent of patients were infected with HIV. More recent studies have shown that 1-12 per cent of rural populations are infected and likewise a quarter of women attending ante-natal clinics in Kampala.

That Uganda is only one of many sub-Saharan African countries seriously affected by AIDS (countries such as Zambia, Malawi and the Congo have similar or higher rates of incidence of AIDS) only serves to highlight the enormous burden facing Africa, with the attendant socio-economic implications.

The UK has some of the finest information services on AIDS in the world (the World Health Organisation contracts us to publish a regular bulletin for it) and the mass of information available contains data on social and economic aspects.

But Mr Ozmame is not alone in ignoring the issue. The World Bank's strategy for African economic recovery, published last November, devotes just one page to AIDS. David W. FitzSimons and Hilary Richardson, Bureau of Hygiene and Tropical Diseases, Keppel Street, WC1



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## INSIDE

### All set to exploit a gold mine of the seas

Stena, the Swedish ferry operator, thinks Sea-link's cross-Channel ferry operations are a gold mine. As it to underline the point, the group intends to appoint Rudolf Agnew (left) as a director of the ferry business if it succeeds in its attempt to buy Sea-link from Sea Containers. Mr Agnew, chairman of the mining investment company Consolidated Gold Fields until its takeover by Hanson last year, has been helping Stena and Tiplink, the UK container rental company, in its joint bid for the company. The nine-month struggle culminated this week in an offer to buy most of Sea Containers' ferry and container assets, which James Sherwood, Sea Containers' president, will recommend his board to accept today. **Page 28**

### Annoying speculation

The rescue last week of West Germany's ailing Nixdorf by its larger compatriot Siemens has prompted speculation about the future of international Computers and its relationship with STC, its parent company — much to the annoyance of Arthur Walsh, STC's chairman and chief executive. **Page 28**

### Fishing in troubled waters

Something is happening to the fish off the Canadian east coast — they are getting smaller and smaller and there are fewer of them. Seven-year-old cod in the southern Gulf of St. Lawrence, for example, now weigh an average of only about 1 kg, compared with 2.4kg in the late 1970s. And this year in general, fish stocks are estimated to be 15 to 20 per cent below the average of the last five years. In the next week or so, Canada's mounting frustration is expected to give way to determined action. **Bernard Simon reports. Page 30**

### Cosmopolitan look at Hambros

Nobody could accuse Hambros of lacking an international outlook. Announcing yesterday that it was extending its European purview and acquiring a network with newly-established Amsterdam Investment Bank, the UK merchant bank confirmed that Mitsui Bank, Japan's ninth largest, had acquired a stake of just under 5 per cent in it. The holding, viewed by Hambros as a friendly approach by an institution with which it has been associated for some time, adds to the UK bank's already cosmopolitan list of shareholders. **Page 25**

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### Chief price changes yesterday

FRANKFURT (DM)		WUHAN (YUAN)	
Riese	455 + 15	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2
Agfa	1008 + 10	Wuhan	72 1/2 - 1/2

LONDON (Pence)		Standard Chart	
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10
Agfa	219 + 5	Standard Chart	588 + 10

## Japanese play a mean pin-ball

Nick Garnett and Geoffrey Owen report on Nippon Seiko's takeover of Britain's biggest bearings maker

THERE is a strong flavour of irony in the purchase of United Precision Industries, Britain's biggest maker of bearings, by Nippon Seiko (NSK), Japan's largest bearings producer. The formation of Ransome Hoffman Pollard (RHP), the bearings business which eventually became UPI, was a Government-inspired move in the late 1960s to preserve a strong UK-owned bearings industry. At that time, Britain's biggest bearings company, Ransome Marles, was about to fall under the control of SKF of Sweden. Believing the preservation of a strong British-owned bearing business was important to the national interest, the then-Labour Government through its Industrial Reorganisation Corporation engineered a rival deal, bringing the three main British bearing companies together to form RHP.



Sadao Hirano (left) and Alan Bowkett: satisfied with companies' fit

Now, more than 20 years later, the biggest chunk of the UK-owned bearings industry is passing into foreign hands. It is, however, not SKF, the world's largest producer, but the Japanese who will own more than a half of bearings manufacturing in the UK. The significance of the deal stretches far beyond the impact on the two companies. It is one of the largest ever acquisitions by a Japanese group of a European business, and the biggest in the UK. NSK is paying £145m (\$239.2m) in cash for UPI, as well as assuming ultimate responsibility for UPI's £58m debt. The acquisition continues the steady expansion of Japan's manufacturing presence in Europe's mechanical engineering industries. NSK will account for almost all of Japanese-owned companies' share of bearings manufacturing in the UK, probably between a half and two thirds of output. NSK already manufactures bearings in its own plant at Peterlee, Co Durham. With UPI, it will account for about £160m worth of bearings made in Britain. Two years ago, Minebea, a Japanese specialist producer of miniature bearings, also moved into manufacturing in the UK with the purchase of Rose Bearings from AFV, the food equipment maker. Most of the rest of UK bearing manufacture is in the hands of US or continental European producers, the largest remaining UK-controlled businesses being T&N's Glacier and Vandervell, and Cooper Bearings.

The purchase underlines the enormous chasm in size and capability that has opened up between British and Japanese companies in many industrial sectors. Privately-owned UPI had annual sales last year of £117m and an research and development budget of £1m. NSK has a market capitalisation of £3bn, sales of £1.5bn (\$6 per cent from bearings, the rest from machinery and automotive components) and an R&D budget of £40m. To put even that into perspective, NSK's world market share of just over 10 per cent is only half that of SKF.

The deal is an example of the kind of money that managers can make through buy-out and sell-off deals. Forty UPI managers, most of whom will be staying with the company, will share £22m. The biggest slice goes to Mr Alan Bowkett, UPI's 39-year-old chief executive and a former BST manager. Together, these managers took a 15 per cent shareholding in UPI, a vehicle created to buy the bearings business of RHP in December 1987. That acquisition, the largest

### Leading bearings manufacturers 1988

Company	Europe	World
SKF (Sweden)	34	20
FAG (W.Germany)	17	8.5
ina (W.Germany)	13	5
SNR (France)	7	2
Timken (US)	6	8.5
NTN (Japan)	3	10
Nippon Seiko (Japan)	2	10
Utd Precision Inds (UK)	2	1.5
Koyo (Japan)	2	6
Torrington (US)	2	5.5
Comecon countries	2	1.5

### UPI: the road to takeover

1969 Creation of Ransome Hoffman Pollard through government-backed merger of Ransome and Marles, Hoffman Manufacturing and Pollard. Mr William (now Sir William) Barlow appointed chief executive. 1974 Nippon Seiko (NSK) announces plans for bearings factory at Peterlee, Co. Durham. 1975 RHP acquires MTE, electrical control gear maker. 1977 Sir William Barlow leaves RHP to become chairman of Post Office. 1985 RHP acquires Mithhead, manufacturer of facsimile transmission equipment. 1987 RHP's ball bearing business sold to management and renamed United Precision Industries (UPI). 1988 RHP merges with Burgess Group, electrical equipment maker. Combined company, renamed Pilgrim House Group, subsequently bought by Williams Holdings. 1990 UPI sold to NSK.

ment manufacturers (OEMs), and it has a reasonable presence in former British colonial territories, as well as Europe. NSK, which employs 12,000 and has factories in the US, Brazil and South Korea, makes all types of bearings. It is geared to "commodity bearings," its strength lying in OEMs and in the US and Pacific areas. Mr Bowkett said UPI would benefit from NSK manufacturing product and anti-friction technology, and he hoped UPI would start manufacturing some NSK bearings. NSK is one of the biggest suppliers to the Japanese car industry, and Mr Bowkett said he hoped the purchase could help UPI with sales to Japanese transplants in the UK. NSK will double its small market share in Europe to about 5 per cent, and it gets six further manufacturing sites. This will further help it circumvent the EC anti-dumping duties of up to 15 per cent that apply to some imported bearings, though 65 per cent of all NSK bearings sold in Europe are made at Peterlee. NSK has also become anxious about a perceived over-reliance on its home market, in which it has a 35 per cent share. Like most Japanese bearing companies, NSK has very advanced technology. It has 1,000 engineers, its plant at Fukushima is one of the world's most automated, and computer-controlled inventory systems link all its nine Japanese factories. Both companies said the deal would be good for the UK's bearings industry and could help halt the rise in imports. Those, mainly from Continental European companies, have risen from 40 to 69 per cent over the past decade. However, those who struggled during the 1970s to make the former RHP business internationally competitive might well be dismayed at the news of the sale to the Japanese. **Additional reporting by Robert Thomson in Tokyo**

## IBM nets \$1.27bn in fourth quarter

By Roderick Oram in New York

INTERNATIONAL Business Machines yesterday turned in a steeper fall in fourth-quarter profits than Wall Street expected, but company forecasts of strong order flows this year helped support its share price. The computer giant's business outside the US continued to grow at a moderate pace last year while US operations virtually stagnated. The latter should benefit from the restructuring announced in December, said Mr John Akers, chairman. Fourth-quarter pre-tax profits fell to \$1.27bn, after the \$2.4bn restructuring charge announced last month, from \$3.44bn a year earlier. Net profits plunged to \$591m, or \$1.04 a share, some 30 cents a share less than many analysts had expected. The year earlier net was \$2.35bn, or \$3.97, after a pre-tax restructuring charge of \$270m. Revenues edged ahead to \$3.46bn from \$3.08bn. Analysts had expected the fourth-quarter results to give a muddy picture of IBM's prospects because of the heavy restructuring programme. The company plans to cut 10,000 jobs in the US and consolidate some facilities to try to improve its performance. None the less, news of the

steeper-than-expected decline pushed down its stock price by as much as \$1 to \$99 1/2 by mid-morning. It recovered modestly after the company held a telephone conference with analysts in which it outlined its prospects for this year. By early afternoon it was up 5 1/2 at \$100 1/2. It expects revenues to grow at about 7 per cent this year, in line with the computer industry as a whole. Order rates are continuing strong across its product line particularly for many mainframe, mid-range and personal computers, executives told analysts. During the fourth quarter, orders for these products enjoyed double-digit growth rates, although peripherals were somewhat lower, partly because of the transition to some new products. But IBM gave little detail of its 1989 performance in its earnings news release. Net profits for the full year fell to \$3.76bn, or \$6.47 a share, from \$5.81bn, or \$9.27, a year earlier. Total revenues increased to \$62.7bn from \$59.7bn but the growth came abroad. Foreign revenues increased 7.6 per cent to \$37bn (\$34.4bn) while domestic revenues were virtually flat at \$25.7bn (\$25.3bn).

## Cathay Pacific and Citic buy Dragonair

By John Elliott in Hong Kong

CATHAY PACIFIC Airways has reinforced its position as Hong Kong's main airline by joining up with the Peking-controlled China International Trust and Investment Corporation (Citic) in a HK\$700m (US\$89.5m) takeover of a small local competitor, the loss-making Dragonair. The move strengthens Cathay's relationship with China at a sensitive time. This could help it when Peking regains sovereignty over Hong Kong in 1997. It also gives Citic, Peking's main overseas investment arm, a stake in the colony's communications industry. Citic's Hong Kong arm already owns 12.5 per cent of Cathay and is negotiating to buy 10 to 20 per cent of Hongkong Telecom from Cable and Wireless of the UK. It has also been considering obtaining a quotation on the Hong Kong stock exchange by buying a small company called Tytyll from the local Chao family, which founded Dragonair. Yesterday's deal ends three years of infighting between

Cathay, part of the Swire group, and Dragonair, which was founded in 1985. Dragonair, an unquoted company, was controlled by Sir Yue-Kong Pao, one of Hong Kong's leading entrepreneurs, until he sold his 37.8 per cent stake two months ago. For a price of about HK\$1.22 a share, Cathay Pacific has bought 30 per cent of Dragonair for HK\$294m and Swire Pacific, its parent company, has bought 5 per cent for HK\$49m. Citic Hong Kong has increased a 26 per cent stake, which it bought after Sir Y.K. sold out, to 38 per cent. The shares have been bought from the Chao family, which retains 22 per cent, and from the Peking-controlled Hongkong Macao International Investment, which held 26 per cent. HMI is owned by mainland China interests, currently through Peking's Xinhua News Agency. There has also been a new issue of 200m shares. The Cathay and Swire stakes also help to keep the airline British which was necessary to obtain air traffic rights.

## BBV directors fail to settle boardroom row

By Peter Bruce in Madrid

THE DEEPLY divided directors of Banco Bilbao Vizcaya, Spain's biggest commercial bank, appeared last night to have given up all hope of agreeing on a face-saving formula to divide power on the board following the death last month of one of its co-presidents, Mr Pedro Toledo. Mr Mariano Rubio, the governor of the Bank of Spain, the country's central bank, is almost certain to intervene in the crisis today, much to the embarrassment of BBV. The bank has been unable, after more than a month

of talks, to make appointments that satisfy the directors of the two banks, Banco de Bilbao and Banco de Vizcaya, that merged to form BBV in 1988. The BBV directors formally asked Mr Rubio to mediate late on Tuesday night "if in the next few hours the last difficulties are not resolved." BBV confirmed last night that "the affair now lies in the Bank of Spain" and said that neither the BBV board, nor the old Banco de Bilbao board members, had met formally yesterday.

In-fighting, which began hours after Mr Toledo's death in the US on December 12, has centred chiefly on the old Vizcaya board members insisting on the appointment of another of their number to become co-president alongside Mr Jose Angel Sanchez Asain, the former Bilbao president. Mr Toledo was to have become sole chairman on Mr Asain's retirement in 1992. The former Bilbao members, including Mr Asain, refused, claiming that only one president should be appointed. The fight

since then has been about which bank the president should come from. Mr Asain recently offered his resignation as president once a solution is found. Mr Rubio is expected to impose a single presidency on the bank. The new leader will probably be the bank's current vice president Mr Emilio Ybarra, a former Bilbao executive. Mr Alfredo Saenz Abad, the Vizcaya choice to replace Mr Toledo, is likely to be made vice-president with control of boardroom committees.

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\*\* Not, as previously stated, 3.00 p.m.  
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Note: The calculation for the current value of the Ordinary Offer is based on the middle market quotation of 207p per Wassall share derived from The Stock Exchange Daily Official List on 16 January, 1990.

## INTERNATIONAL COMPANIES AND FINANCE

## Trelleborg holds 4.8% stake in UK group

By Clare Pearson in London

TRELLEBORG, the highly acquisitive Swedish industrial group, has built up a 4.8 per cent stake in Avon Rubber, the modestly-sized UK industrial polymers, tyres and inflatables concern. However, Trelleborg said it did not plan a full bid at present.

Avon Rubber's shares leapt 102p to 530p yesterday following the announcement. Trelleborg bought the shares through its German subsidiary Trelleborg Gummiwerke.

Avon directors were thought to have been taken completely by surprise by Trelleborg's move and to be anxiously seeking to find out its intentions. Avon said it had no comment.

Trelleborg, which reported sales of about SKr17.19bn (\$2.8bn) in the first eight months of the current financial year, ranks 242 in the FT Europe 500 rankings. At last night's closing levels Avon was valued at about \$110m (\$183m).

Trelleborg's stake building comes against the background of a recent setback at Avon, which last month announced pre-tax profits down from £16.37m to £12.18m in the year to end-September. This largely reflected adverse conditions for its tyres division.

However, the company last summer made big repositioning moves to reduce involvement in tyres. It bought Cadillac, a US rubber and plastics company, for £38m, and sold a 70 per cent stake in its UK retail tyre distribution company to SP Tyres, the Sumitomo Rubber Industries subsidiary.

Analysts said yesterday it was easy to imagine Avon's industrial polymers and specialist tyres activities being incorporated in Trelleborg's rubber and plastics division, which includes tyres, industrial supplies and the US company Goodall Rubber.

Trelleborg's biggest recent acquisition was the purchase last September of Falconbridge, the world's second-largest nickel producer, which it carried out with Noranda, the Canadian natural resources group.

## AMR plunges as fuel costs soar

By Roderick Oram in New York

AMR, parent company of American Airlines, the largest US carrier, has reported sharply lower fourth quarter profits which reflect a sharp increase in fuel prices and an inability to raise ticket prices.

Net profits for the three months ended December plunged by two-thirds to \$38.9m, or 57 cents a share, from \$116.7m, or \$1.93, a year earlier. Revenues rose 9 per cent to \$2.58bn from \$2.37bn.

Thanks to strong profit growth in the first nine months, full-year net declined only 5 per cent to \$454.8m, or \$7.16 a share, from \$478.8m, or \$7.92. Revenues rose 19 per cent to \$10.48bn.

As a result of "sharply higher fuel costs and only very slightly higher yields, American's fourth quarter results were very disappointing," said

Mr Robert Crandall, chairman. By the last week of the year AMR was paying 96 cents a gallon for fuel, up from 58 cents in the first week of the year.

Average fuel costs for the fourth quarter were 30.2 per cent higher than a year earlier. Fare yields edged ahead to 12.01 cents per passenger seat mile from 11.89 cents. The average yield for the full year increased 3 per cent to 12.03 cents from 11.86 cents. Cargo revenue slipped in the quarter but was up for the year.

In spite of the poor financial result, 1989 was successful for AMR in other respects, Mr Crandall said. Revenues on passenger miles increased 13.5 per cent. American opened a seventh hub in Miami, strengthened its position in the Caribbean and Europe, and increased cargo revenues.

## Walter Alexander agrees to £32m Spotlaunch bid

By Nikki Tait in London

WALTER ALEXANDER, a small family-controlled Scottish industrial group, has agreed to a £32m (\$53m) bid from Spotlaunch, a new company formed by venture capital specialists, Granville & Co.

They are putting up £18.2m of equity and preference capital, with the balance coming in debt facilities from Security Pacific EuroFinance.

Spotlaunch's plan is to implement a comprehensive restructuring at the group,

with two of Alexander's four remaining divisions - the smaller liquid fuel distribution and DIY distribution arms - being sold off. The coachbuilding and filtration divisions would be demerged into separate companies.

The bidder has secured irrevocable acceptances from shareholders speaking for 50.9 per cent of the equity.

Alexander's first-half pre-tax profits fell from £1.32m to £91,000.

## Wereldhave chief quits

By Our Financial Staff

MR ONNO HUSKEN, one of the key figures in the growth over recent years of Wereldhave, the Dutch property group, has resigned as managing director because of what the company called a "divergence of views with regard to company policy."

The resignation was effective yesterday, and by mutual consent. Officials at Wereldhave were not available for further comment, but the company

said it had accepted Mr Husken's resignation "with deep regret" and thanked him for his services over the past 14 years.

Wereldhave, which in 1989 took over Peachey Properties of the UK, will now be led by Mr G.C.J. Verweij, who was previously on the managing board with Mr Husken. Mr J.C. van Spronsen will act as a delegate member of the supervisory board.

## French plan to make bid for Spanish cement unit

By Peter Bruce in Madrid

CIMENTOS FRANCAIS, one of France's leading cement groups, plans to launch a bid to take over all of Financiera y Minera, a medium-sized Spanish cement producer, in what would be the third entry into the Spanish cement sector in the past eight months by a big European competitor.

Lafarge Coppée, the biggest French producer, took control of Spain's second largest cement maker, Asland, last summer when the French group bought Cementaria de Switzerland, Asland's biggest shareholder. Last month Aker of Norway took effective control of another big Spanish producer, Valenciana de Cementos Portland.

Cimentos Francais had earlier bought some 24 per cent of Financiera y Minera from its Spanish owners, Banco Central, and was initially going to make a public offering for only 10 per cent of the company. Fears that Lafarge or another European predator might launch a more generous offer appear to have prompted a full bid, however.

Financiera y Minera, based around Malaga, accounts for about 3 per cent of Spanish cement production capacity. The cash rich group reported net profits of Pta2.4bn in 1988, on sales of Pta10bn.

Analysts say foreign cement producers are being attracted to the Spanish sector because of large public construction programmes still in the pipeline. Also, the geographical spread of the Spanish market means that individual producers often have large territories almost to themselves, and are therefore more easily able to manipulate prices.

Gotthard Bank, the medium sized Swiss bank which is 52 per cent owned by Sumitomo Bank of Japan, has bought just over 10 per cent of Gestion Integral de Inversiones (GSA), a growing Spanish asset manager.

A price was not disclosed but Gotthard in Madrid said that as it becomes easier for wealthy Spaniards to invest their personal fortunes abroad they hoped to take a share of the business through GSA.

## DRINKS AND LUXURY GOODS GROUP SPARKLES AMONG SOLID FRENCH RESULTS LVMH forecasts 45% rise in 1989 profits

By George Graham in Paris

LVMH, the French drinks and luxury goods group, is forecasting a rise in profits for 1989 of more than 45 per cent, which would take its net earnings to at least FF2.9bn (\$503m).

The group's results appear not to have suffered immediate damage from the drawn out battle between its chairman, Mr Bernard Arnault, and the head of its Louis Vuitton luggage subsidiary, Mr Henry Racamier, even if longer term strategic decisions may not be receiving full attention.

With sales up by 20 per cent to FF19.66bn, LVMH still maintained the same level of profits growth as in 1988, when earnings rose by 49 per cent.

The company said that at constant exchange rates, sales growth would have been 17.2 per cent, in line with forecasts.

Sales growth was strong in the luggage, cognac and perfumes divisions, although somewhat slower in the second half of the year. Champagne



Bernard Arnault in battle with head of a subsidiary

the remainder of the increase - 8.5 per cent on the same consolidation basis as in 1988 - accounted for by higher prices.

Cognac and spirits sales rose by 24 per cent to 5,07bn, with an 8 per cent gain in volume. Sales of higher-margin aged cognacs rose 30 per cent.

Luggage and accessory sales in the Louis Vuitton division rose by 33 per cent to FF4.7bn, with volumes up 28 per cent. Sales in the second half were slowed slightly by problems with the start-up of a new dispatching centre at Cergy, near Paris, and difficulties in obtaining air freight space to catch up on the delay.

Sales of perfumes and beauty products rose by 20 per cent to FF4.46bn. Growth was evenly spread between Parfums Christian Dior, which launched its men's fragrance Fahrenheit in Asia and North America last year, Parfums Givenchy, which

launched a line of make-up and skincare products, and Roc, the beauty product brand.

On the drinks side, LVMH has now put into place its joint distribution ventures with Guinness, the UK drinks group which in partnership with Mr Arnault owns a 43.8 per cent stake in the company.

These joint ventures, which allow the joint distribution of Hennessy cognac, Moët champagne, Gordon's gin and Johnnie Walker whisky, now account for around 20 per cent of the profits of Guinness's United Distillers arm, and an even higher proportion of Moët-Hennessy.

"The major markets for our major brands are now covered - the Far East, the US and a few European countries. I think in anyone's language the link has been a considerable success," said Mr Anthony Greener, managing director of Guinness and an executive board member of LVMH.

## Increased occupancy boosts Club Med 21%

By George Graham

CLUB MEDITERRANEE, the French holiday operator, has reported a 21 per cent rise in net profits for the year ended October 31, with total net earnings, excluding minorities, of FF364.9m (\$68.4m).

Mr Gilbert Trigano, chairman, said the improvement stemmed partly from a turnaround in its US subsidiary, Club Med Inc, along with higher rates of occupation.

"It was fundamentally a year of management and operation, with no financial profits and no spectacular coups," he said.

Group sales rose by 19 per cent to FF7.59bn, while Club

Med Inc, in which the French parent company holds a 73.7 per cent stake, improved its net profits dramatically to \$21.1m from \$8.8m in 1987/88, on sales 14 per cent higher at \$468.8m.

Club Med increased its capacity only slightly, with the number of beds available in its holiday villages rising by less than 1 per cent to 87,260. However, occupancy rose to 71 per cent, from 69.5 per cent the year before. This year it expects to add about 3,000 beds.

Mr Trigano said bookings so far this year showed an

increase of around 7 per cent. Gains averaging 12 or 13 per cent in most holiday villages were offset by a downturn in a dozen ski resorts, where the lack of snow is deterring holiday-makers. He said Club Med was too dependent on the weather, transport strikes and exchange rates to extrapolate any profit forecast from these figures.

The French group is hoping to develop its activities in eastern Europe, with projects under discussion in Soviet Georgia and near Moscow, as well as in Hungary and Czechoslovakia. Club Med has

also taken over the management of a hotel at Borovetz in Bulgaria.

Mr Trigano warned, however, there were some difficulties of mentality. Club Med is known, for example, for its vast buffets where holiday-makers can eat as much as they want, whereas the Bulgarian staff is more used to handing out carefully measured portions.

Mr Trigano also confirmed market speculation that Accor, the French hotel and restaurant chain, had acquired a 2 per cent stake in Club Med at the end of last year.

## Sodexo sales rise puts profits at FF128m

SODEXO, the French catering company which has exchanged share stakes with the Wagons-Lits travel group, announced it made FF128.9m (\$22m) net profits in the year to 31 August, 1989, an increase of 15 per cent on the previous year, writes George Graham.

Mr Pierre Bellon, chairman, said sales had risen 14 per cent to FF8.07bn.

He forecast earnings per share would at least remain stable in the year 1989/90, in spite of a FF400m capital increase. This would take net profits to at least FF150m, he added.

Sodexo specialises in catering services for companies and local authorities, which now account for nearly 90 per cent of its turnover.

However, it is also the world leader in self-contained work camps and number two in meal vouchers, behind another French group, Accor.

The company last year took a 19 per cent stake in Wagons-Lits for FF550m, with Mr Bellon becoming joint chief executive of the company.

Wagons-Lits has, in turn, taken 29 per cent of a holding

company controlled by Mr Bellon which owns 58 per cent of Sodexo.

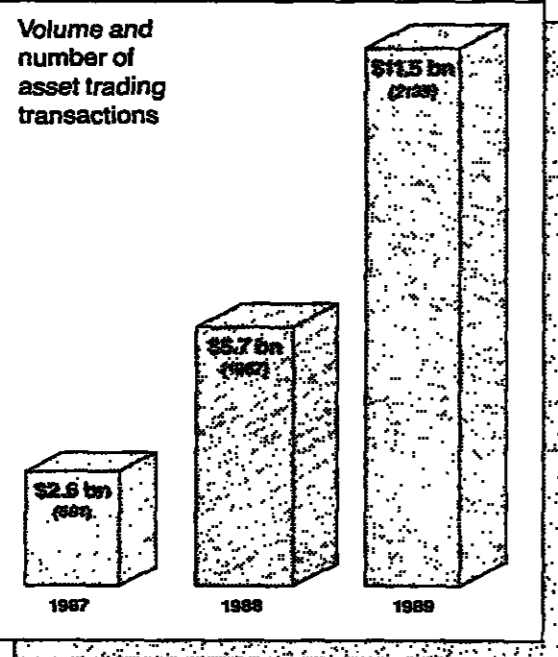
The two groups have now merged their catering activities, which has created a group with total sales of FF12bn.

The group will rank third in the world, behind the north American companies Marriott and ARA Services.



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January 1990

The International Board of Directors of James Capel is pleased to announce that its Representative Office in Frankfurt will operate as a company with limited liability effective from January 1st 1990

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James Capel ( Deutschland ) GmbH Representative Office

IS LOCATED AT

8th Floor, Feuerbachstrasse 26-32 D-6000 Frankfurt/Main - 1 Federal Republic of Germany

Tel: 49 (69) 7191 270

Fax: 49 (69) 724 0306

Telex: 417 0083

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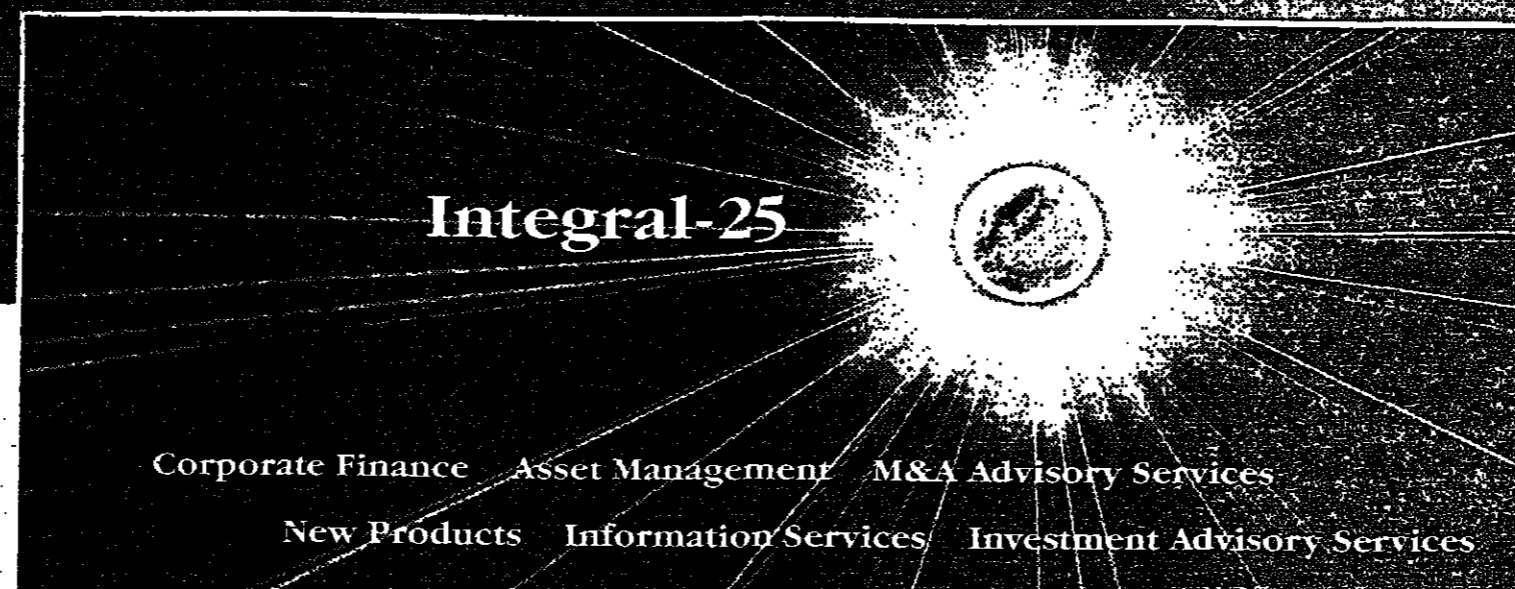
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- Integrative Expert System
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- Integrative Index System
- Integrative Money Market System
- Integrative Option and Future System
- Integrative Position Management System
- Integrative Research System
- Integrative Stock System
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## UK COMPANY NEWS

# Ten-pin bowling helps First Leisure hit £25m

By Andrew Bolger

TEN-PIN BOWLING helped First Leisure to once again strike all the right notes in the City yesterday when it reported a 25 per cent increase to £25.2m in pre-tax profits for the year to October 31. Turnover was up 13 per cent at \$91.7m.

Lord Delfont, chairman, said the success of the Super Bowl centres was the main factor behind the 58 per cent growth in pre-tax profits of the entertainment group's sports division to \$7.46m.

The dancing division saw profits increase by 20 per cent to £10.3m and four large new discotheques were added at a total cost of £14m. Three more were under construction, one was in the development stage and 15 other sites had been targeted.

The resorts division - which includes the Blackpool Tower and Winter Gardens and the piers at Blackpool, Yarmouth, Eastbourne, Southsea and

Llandudno - saw profits grow by 10 per cent to £12.5m.

However, Mr John Conlan, chief executive, said those figures had been depressed by the disposals of pubs and arcades, and on a like-for-like basis profits growth in that division had been about 15 per cent.

Profits from the theatres division dipped to £1.21m (£1.3m), largely because changes of productions in the first half. However, Aspects of Love is now established at the Prince of Wales and Anything Goes at the Prince Edward and Lord Delfont said those productions were expected to produce good profits for some considerable time.

Earnings per share rose by 33 per cent to 13.6p, assisted by a lower tax charge of 25 per cent last year.

A final dividend of 2.53p makes a total of 3.6p for the

year, an increase of 25 per cent.

## COMMENT

At a time when leisure analysts are busy marking down their profit forecasts in this sector, First Leisure had no difficulty in exceeding its target of 20 per cent annual profits growth and is confident it can maintain that rate of progress for the next three years. The catch is that the good news is already in the share price, which closed up 3p at 232p.

Forecast profits of £30m next year put it on a premium rating of 14. Those already aboard will be happy to stick with it, including fund managers who have locked it away for long-term growth. Prospective buyers might conclude there are better bargains about, even though First Leisure's continuing capital investment and success in refurbishing the downmarket image of bowling should continue to keep on impressing the City.

# A wheeler-dealer steers into harbour

Andrew Hill looks at the closing stages of the Stena/Tiphook bid for Sea Containers

FOR A bid originally codenamed "bearing" there has been little physical contact during the hostile offer for Sea Containers.

Since Tiphook, the UK container rental company, and Stena, the private Swedish ferry operator, launched their bid in the US last May, the forces of predator and prey have been spread out between London and Bermuda, Gothenburg, Washington DC and New York.

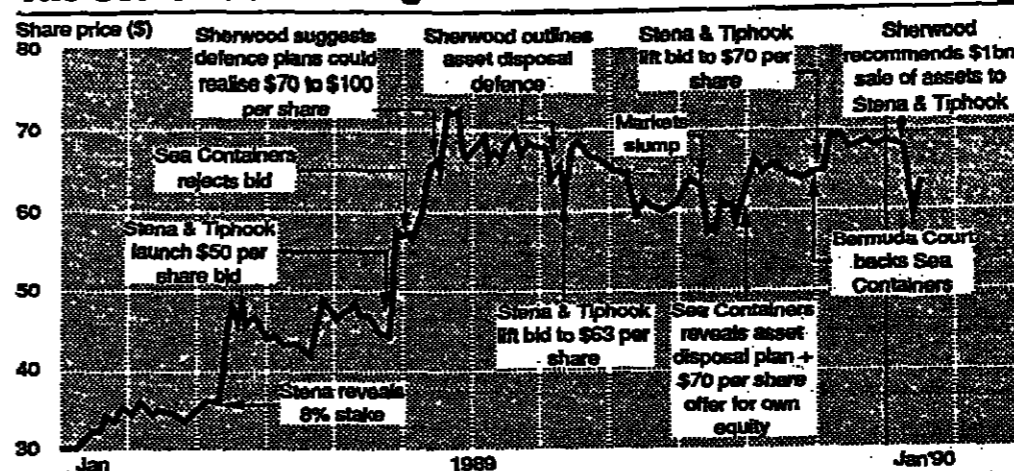
Teams of company lawyers and investment bankers have confronted one another across the continents and courtrooms in a struggle which has lasted nearly nine months. Sea Containers has resorted to complaints to the European Commission, accusations that Stena's founder once traded illegally with the Eastern bloc, and, more practically, a \$1.1bn defensive programme of asset disposals.

Yet the two sides' managements have not met face to face since the offer was launched.

But today, 237 days on, Sea Containers' president, Mr James Sherwood, is gathering his international board of directors to recommend that they accept Tiphook and Stena's offer to buy most of the group's ferries and containers for about \$1bn. If agreed by directors and shareholders, and not scuppered by legal objections from the original buyers lined up for those assets - the hostile bid will lapse.

Mr Sherwood has often seemed to dictate the progress of the Sea Containers saga, revealing his strategy piecemeal to the press. True to his reputation as a formidable wheeler-dealer, it is money which has eventually swayed his apparently unshakable resolve. The latest Stena/Tiphook proposal - delivered to Sea Containers' investment

## The Sea Containers saga



bankers by Stena's New York lawyers a week ago - are worth more than the predators' first two bids for the whole group.

Tiphook is to pay \$637m in cash for the group's dry cargo containers, its chassis and its tank container leasing and forwarding business. Stena is to put up \$430m and hand over some \$63m worth of Sea Containers shares for most of the Sealink ferry business, its original offer for the whole ferry operation, plus sundries such as Sea Containers' stake in Orient-Express Hotels, was just \$386m.

Broadly the arrangement looks like a vindication of Mr Sherwood's stolid resistance to the Stena/Tiphook overtures. The impression that highly paid litigators have been put through their paces to no effect is probably misguided. After months apparently bemoaned in Bermuda, where Sea Containers is registered, it was the supreme court's crucial November decision favouring Sea Containers, that allowed the bid to set sail on the final leg of the nine-month voyage.

The arrival of a new deal, which took the markets by surprise, is also altering observers' expectations of the wide-ranging changes in the world-wide shipping and container industry which were always bound to emerge from this bid. Under the new proposals, Tiphook would join the giants of the container rental industry Genstar and Rel Corporation. Sea Containers' basic dry cargo containers were originally earmarked for Genstar, in a deal which would have made the group by far the world's largest container rental company. If Tiphook now buys those assets then it will join the elite, each owning between

400,000 and 550,000 container units.

Happy for Tiphook's UK shareholders, the new deal would leave the group's borrowings almost unchanged at 214 times shareholders' funds. Tiphook had already set up funding for the original bid with a two-stage rights issue and borrowing facilities, but under the asset purchase agreement, the UK group would not be burdened with an estimated \$300m of debt attached to the container business.

Stena plans to buy the best-travelled of Sealink's cross-Channel routes - Dover/Calais and Folkestone/Boulogne -

Mr Dan Sten Olsson, chief executive of Stena, confirmed yesterday that Mr Endolph Agnew, former chairman of Consolidated Gold Fields, would join the board of Sealink British Ferries if the Swedish ferry operator bought the business.

Mr Agnew, who became a non-executive director of Hanson when the conglomerate bought Gold Fields for \$3.5bn last year, has been advising Stena on its joint bid for Sea Containers for the last three months.

Stena and Tiphook, the UK container rental company, announced their proposal to buy most of Sea Containers' ferry and container assets on Monday and it is likely to be approved by Sea Containers' directors today.

plus the Irish Sea service and the Harwich/Hook of Holland route, already shared with Sealink, thus establishing a European foothold south of its existing Baltic ferry operations.

Stena is faced with the challenge of introducing its cruise-style service on the much shorter Channel crossings without losing the regular customers who tolerate more basic facilities. When Mr Sherwood himself attempted to upgrade the Sealink service to the Channel Islands three years ago he nearly brought the whole group to its knees.

Sea Containers' position is perhaps the most intriguing of the three.

The original defensive plan to sell \$1.1bn of assets would have left the principal Sealink routes in Sea Containers' routes. Under the Stena/Tiphook proposals the group will control a less ordered selection of operations, including some development land, the 42 per cent Orient-Express stake, the Hoverspeed hovercraft service, Sealink's Isle of Wight ferry routes and the valuable refitted and specialised containers.

"We're going to end up with a business that's going to earn \$10 a share in 1991 and we're also going to have quite a lot of cash which will be forming part of a recapitalisation," said Mr Sherwood this week.

Arbitrageurs are now waiting for details of this new recapitalisation, expected to match the original \$70-a-share defensive plan. Sherwood loyalists, on the other hand, who have seen the tycoon build the business from nothing, and more than double Sea Containers' share price in the last year through sheer determination, will be looking to the longer term and wondering what the great optimist will make from his diminished empire.

# Saatchi shares fall on account loss

By Alice Rawsthorn

SAATCHI & SAATCHI, the marketing group, yesterday saw \$19m wiped off its market capitalisation when its shares fell 12p to 242p on news of a \$70m (\$42.2m) account loss in the US.

Saatchi's shares were also depressed by unconfirmed City rumours that it is about to announce redundancies at its main London advertising agency.

Backer Spielvogel Bates, one

of Saatchi's US agencies, has lost the \$70m corporate advertising account for Prudential Corporation of America, the financial group, to Lowe-Marschalk, the US agency owned by Lowe Group, another UK marketing concern.

Lowe's shares rose by 16p to 433p when the news broke yesterday. The Prudential account is the biggest single piece of new business the group has ever won.

Last summer Lowe converted its minority interest in Lowe-Marschalk to full control. It acquired the remaining 70 per cent held by Interpublic, the US marketing group, which, in turn, increased its holding in Lowe.

The account loss comes at a difficult time for Saatchi, which is restructuring its interests - under a new senior management team - after tumbling into a loss last year.

# Re-listing refusal incenses BOM chief

MR MICHAEL Lucas, the embattled chairman of BOM Holdings, yesterday attacked the Stock Exchange for its refusal to re-list the controversial property, oil and retailing business earlier this month, writes Vanessa Houlder.

"Unless the Stock Exchange is a law unto itself it cannot dump 20,000 shareholders and cannot by implication vilify me..." he said.

Mr Lucas said that in spite of six meetings with the

exchange, he was never told why the shares were suspended in December 1988 and several restructuring proposals were turned down. The exchange has indicated that it was not satisfied by the information provided.

Some shareholders are pressing for a Department of Trade and Industry investigation. This follows the announcement that BOM has sold its main asset - land at Kingsnorth in Kent - for £12m and a 20 per

cent stake in Surelaunch, a private company which acquired the land. Shareholders are incensed that this land was sold at a small fraction of the £75m which Mr Lucas said it was worth, with planning permission, a year ago.

Discussions with at least 20 potential buyers about the land - valued by three surveyors at between \$3m and \$13m last year - had been unsuccessful, said Mr Lucas. Pressure from banks had forced the sale.

# Trilion pays dividend after two-year break

TRILION, the television and production company, yesterday said it was restoring dividend payments after a two-year break and had moved back into the black in the year to end-September 1989, writes Clare Pearson.

Trilion made a pre-tax profit

of £1.13m, compared with a loss of £902,000. It proposes to pay a 0.5p dividend for the year. The shares rose 4p to 48p yesterday.

Proceeds from the sale of Trilion's Dockland studios, which were received in March, meant borrowings were repaid and interest income earned during the second half of the year. The interest position changed from a debit of £1.69m in 1988 to a credit of £286,000.

The pre-tax line was also helped by a £545,000 (£256,000) exceptional credit, arising from the sale of a 9.5 per cent stake in Broadcast Communications, the maker of Channel Four's Business Daily programme which was acquired by the Guardian and Manchester Evening News last autumn.

Earnings per share were 1.8p (1.5p loss). Turnover stood at £13.5m, against £16.1m.

# Rockware revises profits estimate down by £3m

By Maggie Urry

ROCKWARE, the glass and plastics packaging group, warned yesterday that its profits for 1989 would be lower than it had expected, although still up on the previous year.

Pre-tax profit would be of the order of £10.5m, up from a restated £9.2m in 1988, but that was 41m below its earlier hopes.

Mr Anthony Hargreaves, finance director, said 1990 should see a recovery from the problems experienced in 1989.

The shares fell 3p to 51p. Analysts had been looking for profits in the £12m-£14m region, having revised down earlier hopes of about £17m. At the half-year stage the group made 62 per cent more at £5.9m. On a £10.5m profit and a 17 per cent tax charge, fully diluted earnings for 1989 would be 4.7p (8.25p) per share.

Rockware blamed two problems for the lower-than-expected profits. Over £2m of the £3m were trading losses from its flexible packaging division

which had suffered in a depressed market, with volumes down and raw material costs high. As a result the group had closed its Swindon factory and transferred the machinery and business to South Wales.

The Swindon factory had been sold for a price which more than covered closure costs. Mr Hargreaves said there would be a £200,000 exceptional credit in the 1989 figures.

The other problem had been in the glass division, which Rockware had expanded late in 1988 by the acquisition of CWS Glass from the Co-operative Wholesale Society. The group had been planning repairs to some of its furnaces during 1989 but faults had appeared and so repairs had been brought forward.

That meant the furnaces were out of action when demand for bottles was strong, and Rockware lost around £1m of profits as a result.

Severn Trent



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congratulate Severn Trent Plc on its flotation and wish it continued success.

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# Norfolk Capital dissidents criticised

By Andrew Hill

Three directors of Norfolk Capital Group, the hotel company facing a management coup by Balmoral International and a boardroom split, have criticised fellow directors for wanting to appoint Balmoral's managing director to the hotel company's board.

The dissident directors - Lady Joseph and Mr Tony Good - will vote to elect Mr Peter Tyrle, a hotelier, as a non-executive director at a special shareholder meeting at the end of this month.

In a letter to shareholders, Mr Tony Richmond-Watson, Norfolk's chairman, said Mr Tyrle's appointment would be "seriously detrimental" to the company, because of fundamental conflicts of interest between the objectives of Balmoral and Norfolk.

Mr Tyrle heads a trio of Balmoral executives, who want to oust Norfolk's managing director and manage the company under a five-year contract.

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FT 26P





## Lookers motors ahead but warns on trading

By John Thornhill

THE TOUGH trading environment for motor distributors was illustrated yesterday by the annual results of Lookers, the Manchester-based dealer, which reported an 8 per cent profit advance but warned of a disappointing start to the current year.

Pre-tax profits advanced from £5.32m to £5.83m in the year to September 30 on turnover 14 per cent ahead at £309.82m (£270.51m).

However, Mr Ken Martin, chairman and managing director, said the car sales market had turned down in the UK and that the company's forthcoming interim profits would be reduced.

"Until August the market was a record month after month. But since then there has been a fall," he said.

Lookers estimates the market has declined by about 10 per cent, but believes the fall is only temporary, resulting from the Government's interest rate

policy.

"There is still a pent up demand for cars in this country," Mr Martin said.

At the end of its financial year, Lookers acquired SMAC, a car dealer based in the south-east, taking the number of its franchised outlets to 41. SMAC, currently being re-organised, made only a minimal two week contribution to Lookers' results.

Group operating profits grew by 24 per cent to £11.57m but higher net interest charges of £4.74m (£3.02m) limited the advance at the taxable level.

The agricultural division was hit by reorganisation costs and reported a £500,000 fall in profits to £100,000. A property profit of £351,000 was taken below the line.

A final dividend of 4.2p is recommended which will increase the yearly payout by 16 per cent to 6.2p (5.35p). Earnings per share were marginally higher at 25.5p (25p).

### COMMENT

Lookers' shares went on something of a tumble yesterday, down 14p to 133p, and given the straitened prospects for the sector it is hard to see them recovering strongly in the near future. Lookers says profits will decline in the current six months and it is only in the second half that they will be on the mend. Analysts suggest pre-tax profits for the year may only crawl ahead to £7m and earnings will suffer mightily, falling to under 20p. A prospective p/e ratio of about 7 appears mean, but is generous enough for the present. Some share price excitement may be generated by bid talk as T. Cowie holds a 10 per cent stake which it might well be prepared to trade. But Woodchester Investments' shareholding of just under 30 per cent still looks a secure trade investment and argues against the takeover possibilities.

## Dalepak rises to £0.7m in spite of tough trading

DALEPAK Foods lifted first half pre-tax profit by 38 per cent, although trading conditions worsened significantly.

The directors said they expected the conditions to continue, but were confident that the broadening product base would enable the group to progress in the second half.

Dalepak makes a range of frozen meat, vegetables and chilled products. Its turnover in the six months ended October 31 advanced 47 per cent to £16.67m (£11.3m), while profits came to £704,000 (£511,000) after trebled interest charges.

Frozen food businesses all recorded strong sales growth with Grilleak ahead 23 per cent in a static market, and Fawcett Frozen Foods up by 18 per cent.

Short-term profitability of Worsleys and Northallerton Wholesale Bacon was hit by a 50 per cent rise in summer pork prices, but steps taken to reduce exposure to the pigmeat market are expected to show through in the second half.

Earnings in the half year came to 4.09p (2.98p) and the interim dividend is 1.085p (0.9p).

## Burdene expands 11% to £4m

Burdene Investments, the caravans, holiday property and finance group, yesterday announced an 11 per cent expansion in taxable profits for the 12 months to September 30.

The increase — up from £3.57m to £3.97m — was scored on turnover of £25.37m (£23.94m). Directors said that the group's activities would

reflect the current economic conditions but that its manufacturing activities were sound and firmly established in their respective markets.

After tax of £1.46m (£987,985), earnings per 5p share worked through at 24.82p (25.21p). A proposed final dividend of 5.5p lifts the total for the year to 8p (7p).

## Barbour Index 25% higher at £2.73m

Barbour Index, which provides specialist information services to the UK construction industry, lifted pre-tax profits 25 per cent in the half year to October 31 1989.

Mr Patrick Barbour, chairman, said he anticipated a successful year end outcome. All aspects of the business were performing to plan, with the exception of Computerscan.

Profits rose to £2.73m (£2.18m), on turnover of £5.77m (£5.1m). With earnings at 10.8p (8.55p) the interim dividend is lifted to 2p (1.25p), partly to reduce disparity.

There was an extraordinary charge of £104,000, being further money advanced to Computerscan written off.

Mr Barbour believed Computerscan was a service with good potential, but said it needed a cost effective medium to turn latent demand into income. Partnership arrangements were being discussed which could provide that, and by April "we shall have made our final assessment of the service".

## UK COMPANY NEWS

## Sergeant to sell £1.7m-worth of shares at Euromoney's listing

By Vanessa Houlder

SIR PATRICK Sergeant, the former City editor of the Daily Mail and the founder of Euromoney magazine, is to sell shares worth £1.7m, when Euromoney Publications receives a London listing.

The company, which publishes magazines covering banking and the international capital markets, was listed in the form of international depository receipts in Luxembourg in 1986.

Sir Patrick said that the deal

stemmed from disadvantages with the bearer-share system and pressure from those institutions which are barred from buying shares listed in Luxembourg.

A trust connected to Sir Patrick and a subsidiary of the Daily Mail & General Trust, which now owns 76 per cent of the shares, are each selling 500,000 shares at 350p apiece, to bring the proportion of shares in public hands up to 20 per cent.

Sir Patrick, who sold shares worth £1.9m in 1986, still has a holding worth £2m.

He stressed that the company was doing well and that the only reason for the sale of the shares was to satisfy Stock Exchange listing requirements.

Merrill Lynch International is sponsoring the placing and advising the company, Baring Brothers is advising Daily Mail & General Trust.

## Shield sharply lower at £95,000

SHIELD GROUP, which has interests in property development and estate agencies, reported profits sharply reduced for the six months to September 30.

The pre-tax figure dropped from £842,000 to £95,000 on turnover down from £13.44m to £4.78m.

The directors said that the

group would shortly be launching its flagship development at Summit Lodge, Hampstead, London, and that the sale of three to four of the 11 remaining units should repay borrowings in full.

As the market capitalisation of the group was currently at a discount to its net assets and, taking into account current

property market conditions, the directors do not propose paying any interim ordinary or preference dividends.

They said that they believed that the group should, for the present, pursue a trading and business policy of strengthening its asset base.

Losses per share were 2.68p (1.33p earnings).

## Shandwick expands in West Germany

By Nikki Tait

SHANDWICK, the acquisitive UK-based public relations group, yesterday announced the purchase of Lutz Bohme Beratungsgesellschaft, a Hamburg-based PR consultancy, for a maximum DM8m (£3m).

Shandwick, which already has interests in Bonn, said that it should now rank fourth, in fee income terms, in the West German PR market.

Shandwick is paying an initial DM2.15m cash. However, further performance-related payments may fall due, based

on a multiple of 1990 profits and a percentage of operating income in 1991 and 1992. These will also be met in cash. The total consideration, however, cannot exceed DM8m.

The West German agency was set up in 1966 and clients include BP and Unilever. In 1988, there was an audited loss before tax of DM226,000, but management is estimating a profit of DM105,000 in the year just ended. Net assets are DM170,000.

## Kyowa listing in London

By David Lascelles, Banking Editor

DEALINGS begin in London today in the shares of Kyowa Bank, the latest of the large Japanese "city banks" to obtain a London listing. It is the first listing for the bank outside Japan, and part of its aim is to broaden its appeal to international investors.

The number of Japanese companies quoted in London doubled to 23 last year. Of the new arrivals, nine were banks. Kyowa's listing is being sponsored by SG Warburg Securities, Kyowa Finance International, Nikko Securities and County Natwest.

### NEWS DIGEST

## Electron House falls to £1.65m

ELECTRON HOUSE, a computer products and electronic components distributor, reported a fall from £2.01m to £1.65m in pre-tax profits for the half year to November 30.

Group sales, however, improved from £40.22m to £57.58m.

The profits decline was mainly due to a significantly higher interest charge — up from £234,000 to £1.3m.

The interim dividend was increased by 10 per cent, from 2.5p to 2.75p, in spite of a contraction from 7.7p to 5.08p in earnings per share.

## Fetterman quits IBC board

Mr Norman Fetterman has resigned as a director of International Business Communications (Holdings), the news-

ters and conferences company which bought his Barham Group of publishing and advertising businesses in 1987.

Mr Fetterman had played a minor role at IBC since 1988, when he became chairman of Oakwood Group, the engineering and textiles company to which a receiver was appointed last month.

## Sommerville profit maintained

Following a sharp fall in the previous full year, William Sommerville & Son, the Scottish paper maker in which James River Corporation of the US has a controlling interest, maintained interim profits at £336,000, against £330,000 last time.

Turnover for the six months to November 30 rose slightly from £4.99m to £5.6m and manufacturing efficiencies had improved. After omitting last year's final, the company declared an unchanged interim dividend of 1p. Earnings per 25p share were 33.86p (32.62p) after tax of £118,000 (£120,000).

## Estates & Agency debenture placing

Estates & Agency Holdings has placed, through Samuel Montagu, a further £9m of 11.25 per cent first mortgage debenture stock 2020.

The investment holding company launched the issue to provide long-term funding for its recent purchases of two industrial units at Banbury, Oxfordshire; the refinancing of a retail warehouse at Rayleigh, Essex; and funding for refurbishment and development of property in the west end of London.

## CHI sells 6.3% stake in Ricardo

CH Industrials, seen in the past as a highly acquisitive mini-conglomerate, has sold its 6.3 per cent interest in Ricardo, the Sussex-based designer of engines and transmissions. Ricardo was subject to an abortive takeover bid from First Technology last year, and CHI pledged to accept the offer. In the event, First Technology gained control of only 41 per cent of Ricardo and the bid lapsed.

## £1.3m acquisition for Freeman

Freeman Group, the USM-quoted distributor of insulation materials and building products, has acquired Bestobell Distribution, a unit of Meggitt (UK), for £1.31m. The sum is being paid in the form of 498,099 new Freeman ordinary shares which are being placed with institutions on Meggitt's behalf at 265p per unit to yield £1.31m cash. In addition, Freeman is placing

a further 90,688 ordinary shares at the same price to raise £220,000 in working capital, net of expenses. In both cases, the shares are being placed by CCF Laurence Prust.

## Widney reasons for year-end loss

Widney, the engineering group, has outlined the reasons for its previously announced £1.1m pre-tax loss in the year to September 30 and announced a £2.2m financial rescue. When Widney announced the loss it gave no explanation for the fall from £227,000 profits in the previous year.

It now blames the poor result on four factors: the combination of high gearing and higher interest rates; trading losses at Francis & Lewis before the telecommunications mast manufacturer was sold; inadequate orders and a poor product mix at the Widney Aish defence business; and an unexpected second-half downturn at Widney Products, a maker of enclosures for cash dispensers.



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## IRELAND AS A FINANCIAL & INVESTMENT CENTRE

The Financial Times proposes to publish this survey on:

20th February 1990

For a full editorial synopsis and advertisement details, please contact:  
**Gillian King**  
on 01-873 4823

or write to her at:

Number One Southwark Bridge London SE1 9HL

Or Richard Willis Herengracht 472 1017 CA Amsterdam Netherlands Tel (020) 239430/225668

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

## Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)  
(Registration number 57/01979/06)  
("Implats")

## Implats acquires an interest in Western Platinum Limited and Eastern Platinum Limited

First National Corporate and Investment Bank Limited is authorised to announce that, subject to certain conditions precedent, agreement has been reached in terms of which Implats will, with effect from 1 October 1989, merge its Karoo mine with Western Platinum Limited (WPL) in exchange for a 27% profit participation in the combined WPL/Karoo mine and in Eastern Platinum Limited (EPL).

Lonrho will be responsible for management of the merged operation. Implats will have slightly in excess of 25% of the equity voting rights in the two companies, but will have equal representation with Lonrho on the boards of WPL/Karoo and of EPL.

The Karoo mine is situated in the Marikana district of the Western Transvaal and shares a common boundary with WPL. EPL lies to the east of WPL, in Bophuthatswana. Both EPL and WPL are currently owned and managed by Lonrho. The economic and practical benefits of rationalising the operations of WPL and Karoo, including adjacent reserves, are substantial. The shared boundary, existing shaft systems and common infrastructure should allow the ore reserve to be accessed more economically and mined and refined more cheaply over the life of the mine than would be the case with two individual units.

Operating on its own, the Karoo mine was not expected to become cash positive until late 1993. The combined operation, however, is expected to be cash positive from the end of 1990. The transaction should thus have an immediate and ongoing beneficial effect on Implats' funding of Karoo and on the Group's earnings per share. Implats 1988/1989 earnings per share, on a pro forma basis, would have increased by approximately 10% if the deal had been effective for the full year. Bearing in mind that EPL and Karoo are at present in relatively early stages of development, and that WPL has not yet reached full potential, it is anticipated that in the future the beneficial effect will be greater as the operations move towards their full potential. The deal has no immediate effect on the Implats net asset value per share.

Commitments to customers have been accommodated within the merger arrangements.

The arrangements include rights of pre-emption over shares held by the parties in WPL and EPL and call (and put) options over shares of those companies in the event of a change in the ultimate control of WPL and EPL.

A circular, setting out further details of the transactions, will be posted to shareholders of Implats in due course.

Johannesburg

17 January 1990

Merchant Bankers

**FirstCorp**

Registered Bank Reg No 58/02411/05

First National Corporate & Investment Bank Limited  
A member of the First National Bank Group







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Continued on next page

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# CANADA

Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
<b>TORONTO</b>																	
<i>2pm prices January 17</i>																	
<i>Quotations in cents unless indicated \$</i>																	
23791 AMCA Inc	420	418				3700 Christian	\$22 1/2	22	22	22		34715 Intermex	54 1/2	44 1/2	44 1/2		
23791 Royal Bp	110	108 1/2				3731 CHM B	\$22 1/2	22 1/2	22 1/2	22 1/2		100 Im Corp	\$23 1/2	23 1/2	23 1/2		
100 Alcan	11	11				15328 Compagnie	80	79 1/2	79 1/2	79 1/2		100 Inco	\$11 1/2	10 1/2	10 1/2		
23791 Alcan B	110	108 1/2				31000 Compustock	\$16 1/2	16 1/2	16 1/2	16 1/2		3100 Johnson	\$19 1/2	19 1/2	19 1/2		
43306 Alcan B	110	108 1/2				2000 C HGI A	80	79 1/2	79 1/2	79 1/2		2480 Labatt	\$24 1/2	24 1/2	24 1/2		
2404 Alcan B	110	108 1/2				15555 Can Tvs	87 1/2	87 1/2	87 1/2	87 1/2		40373 Las Merts	\$10 1/2	10 1/2	10 1/2		
26835 Alcan B	110	108 1/2				17000 Crown Ppt	\$17 1/2	17 1/2	17 1/2	17 1/2		3000 Laidlaw	\$21 1/2	21 1/2	21 1/2		
30222 A. Barrick	22 1/2	22 1/2	22 1/2	22 1/2		17000 Crown Ppt	\$17 1/2	17 1/2	17 1/2	17 1/2		3000 Laidlaw	\$21 1/2	21 1/2	21 1/2		
1000 Ato	11	10 1/2				14310 Corona A	\$10 1/2	10 1/2	10 1/2	10 1/2		17000 Laidlaw	\$21 1/2	21 1/2	21 1/2		
27722 BCE Inc	105	105				4000 Cassini	\$11 1/2	11 1/2	11 1/2	11 1/2		12000 Laidlaw B	\$8 1/2	8 1/2	8 1/2		
4500 BCE D	105	105				15555 Can Tvs	87 1/2	87 1/2	87 1/2	87 1/2		8120 Lovelock	\$22 1/2	22 1/2	22 1/2		
6400 BCE Metall	30 1/2	30 1/2				7477 Dawson B	345	345	345	345		3000 MDS A	\$21 1/2	21 1/2	21 1/2		
600 BCE Sugar A	\$11 1/2	11 1/2				3000 Dertin	38 1/2	38 1/2	38 1/2	38 1/2		1900 MDS B	\$21 1/2	21 1/2	21 1/2		
3430 Bldg A	\$11 1/2	11 1/2				13100 Dierden A	\$11 1/2	11 1/2	11 1/2	11 1/2		117700 Mt. Komto	\$10 1/2	10 1/2	10 1/2		
1201 Bldg B	\$10 1/2	10 1/2				15517 Dierden A	\$21 1/2	21 1/2	21 1/2	21 1/2		87724 Macmillan	\$11 1/2	11 1/2	11 1/2		
103428 Bldg C	\$20 1/2	20 1/2				10200 Dierden B	\$11 1/2	11 1/2	11 1/2	11 1/2		140688 Sears Can	\$11 1/2	11 1/2	11 1/2		
219670 Bldg D	\$10 1/2	10 1/2				77450 Dierden C	\$21 1/2	21 1/2	21 1/2	21 1/2		27400 Shawco B	\$10 1/2	10 1/2	10 1/2		
3430 Bldg E	\$10 1/2	10 1/2				800 Dierden A	\$11 1/2	11 1/2	11 1/2	11 1/2		11225 Shawco C	\$11 1/2	11 1/2	11 1/2		
1575 Strathcona	\$21 1/2	21 1/2				1810 Du Pont A	\$21 1/2	21 1/2	21 1/2	21 1/2		350 Sherbro	\$10 1/2	10 1/2	10 1/2		
13200 Bldg G	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		540 Sider	\$10 1/2	10 1/2	10 1/2		
103428 Bldg H	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		57700 Siderman	\$30 1/2	30 1/2	30 1/2		
219670 Bldg I	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero I	\$3 1/2	3 1/2	3 1/2		
3430 Bldg J	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero II	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero III	\$3 1/2	3 1/2	3 1/2		
13200 Bldg K	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero IV	\$3 1/2	3 1/2	3 1/2		
103428 Bldg L	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero V	\$3 1/2	3 1/2	3 1/2		
219670 Bldg M	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero VI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg N	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero VII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero VIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg O	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero IX	\$3 1/2	3 1/2	3 1/2		
103428 Bldg P	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero X	\$3 1/2	3 1/2	3 1/2		
219670 Bldg Q	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg R	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg S	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XIV	\$3 1/2	3 1/2	3 1/2		
103428 Bldg T	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XV	\$3 1/2	3 1/2	3 1/2		
219670 Bldg U	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XVI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg V	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XVII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XVIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg W	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XIX	\$3 1/2	3 1/2	3 1/2		
103428 Bldg X	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XX	\$3 1/2	3 1/2	3 1/2		
219670 Bldg Y	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg Z	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AA	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXIV	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AB	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXV	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AC	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXVI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AD	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXVII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXVIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AE	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXIX	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AF	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXX	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AG	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AH	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AI	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXIV	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AJ	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXV	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AK	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXVI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AL	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXVII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXVIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AM	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXIX	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AN	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXX	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AO	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AP	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AQ	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXIV	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AR	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXV	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AS	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXVI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AT	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXVII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXVIII	\$3 1/2	3 1/2	3 1/2		
13200 Bldg AU	\$11 1/2	11 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXIX	\$3 1/2	3 1/2	3 1/2		
103428 Bldg AV	\$20 1/2	20 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXX	\$3 1/2	3 1/2	3 1/2		
219670 Bldg AW	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXI	\$3 1/2	3 1/2	3 1/2		
3430 Bldg AX	\$10 1/2	10 1/2				8000 Eshay Bay	\$21 1/2	21 1/2	21 1/2	21 1/2		1400 Spwr Aero XXXXII	\$3 1/2	3 1/2	3 1/2		
1575 Strathcona	\$21 1/2	21 1															

[illegible]

TOKYO - Most Active Stocks				Wednesday January 17 1980			
Stocks	Closing	Change		Stocks	Closing	Change	
Traded	Price	on day		Traded	Price	on day	
Nippon Steel	17.5m	710	-34	MTI	7.5m	1,080	0
Tokyo Electric	10.0m	3,880	+440	Toshiba	15.5m	1,190	0
Mitsui & Co.	7.5m	1,200	-90	Tokai Steel	6.3m	1,850	-130
Nippon Mining	7.5m	1,070	0	Nippon Steel	5.3m	765	0
Furukawa Mt Id	7.4m	785	0	Dowa Mining	5.3m	1,600	+30

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FINANCIAL TIMES  
SURVEY

People who have not seen Milton Keynes think of it as a printed circuit-board of a city. In fact, it is

well planned and has a contented population. **Stewart Dalby** visits this creation of 20th Century England, and asks whether enough has been done to safeguard its future.

## So much more still to be done

IMAGINE you are a London manufacturer of, say, plastic components for audio and video equipment. Your order book is full to overflowing. You employ about 30 people and need another 10 of certain skills to meet the production demand.

Ideally, the business needs larger premises but there is literally no space for expansion and no nearby accommodation for less than £20 a sq ft. It is impossible to find 10 extra skilled workers. They are not available from a youth training scheme, nor from an employment training scheme. Somehow, someone else always seems to be offering better wages.

You then hear about a place midway between London and Birmingham, only 40 minutes by train from the centre of London. Factories or B1 space - accommodation which is classified for either office or light industrial use - is only £11 a sq ft. There is so much land you can get an option on the adjoining site.

Parking is free and a range of quality housing is available at prices cheaper than in London. Almost double the national average of school leavers are due to come on stream during the next decade,

and it is claimed there is a pool of mothers wishing to return to work. So, staff should not be a problem even though there is a low unemployment rate.

Schools are good and communications are excellent to airports and ports, particularly to Holland, which is one of your main markets. The city is so well planned there are no traffic jams at any time of day. Pollution is minimal because there are few old-style smoke-stack industries. The streets are free of litter, and there is hardly any graffiti. The crime rate is low and the landscape is green in the true sense of the word because in the past 20 years some 13m trees have been planted.

However, from your point of view there is one snag - the place is Milton Keynes. Although you have never been there, you know all about it. It is the place with the concrete cows and was laid out like a printed circuit board. The divorce rate is high and entertainment at weekends and in the evenings is limited. It would be difficult to persuade loyal workers, some of whom have been with you for 20 years, to move to Milton Keynes, not to mention the wife. Milton Keynes has become accustomed in its 23

years of life to its bad image among people who do not know the city. However, its image has not been an obstacle in attracting companies in the past but the problem could intensify as the Milton Keynes Development Corporation prepares to wind up in 1992. There are question marks over whether the Corporation will be able to meet its targets in the time available. Unless the infrastructure, particularly the social infrastructure, is completed by 1992 there is a danger Milton Keynes will lose some of its dynamism.

In other words, although there is little doubt the town has achieved critical mass as a business centre and in terms of being a self-sustaining employer, will the perception of it work against it going on to become a fully fledged three dimensional city where people are not just happy to work but also content to live there and to play there?

The poor image Milton Keynes has in Britain, is partly understandable but nevertheless totally unfair. To the first-time visitor, the city can be disconcerting. There are few

buildings above four stories, and no overhead cables. Many of the buildings are hidden among the trees that have been planted. It does not even look like a city. Milton Keynes is in the middle of the south Midlands plain, and the approach is reminiscent of arriving in Holland or in the US mid-west.

The grid road system can be disorienting. There are few traffic lights, but many roundabouts. The roads are marked V or H for vertical or horizontal and each has a number. The local joke has it that H stands for hard and V for very hard. Strangers need time to familiarise themselves with the system.

A completely new town on a green field site is unusual, if not unique, in Britain. In the US or Canada or Australia there would be no image problem. Foreign visitors, including those from Germany and Japan, are usually instantly rapturous about Milton Keynes.

Britons are used to their towns being old with history locked up in the architecture. These old towns have a centre

and, most important of all, lots of downtown bustle. The absence of this bustle or Saturday night fever is often rightly or wrongly associated with a lack of "soul" or character.

This perception of Milton Keynes as colourless and futuristic is unfair. Everyone, be it young people in the pubs, office workers in sandwich bars or bistros, people on the factory floor, taxi drivers, workers in factories or managers in boardrooms, seems genuinely happy to be there. There is abundant work and, broadly speaking, a good standard of living for the majority of people.

By any of the usual criteria - net jobs created, household formation, net inward investment, gross population growth - the Milton Keynes Development Corporation has been successful since its establishment in 1967. Then, there were three small towns, and 13 villages or hamlets with a total population of 40,000. The population has grown to 145,000, with a likelihood that by 2000 it will be 200,000. More than 2000 companies have established themselves in Milton

Keynes, and unemployment is down to 2.3 per cent.

In trying to attract companies, the Development Corporation has not been able to offer financial incentives in the manner of some development authorities. But it has had money to spend on building the primary infrastructure (the grid road system, sewerage in the early days and electricity). It has been able to build factories and to develop parks and community centres and service land for factories.

Of importance has been its remit to build tens of thousands of houses for rent. In what old-timers now refer to as the pioneering days, private developers did not find it worth their while to build in Milton Keynes. The influx of people was facilitated by a stock of houses at a range of prices available to rent. New-comers were able to either build their own homes or were easily able to find existing houses. The situation is different now. In line with government policy the Development Corporation is no longer able to build houses for rent and must sell off existing stock if

tenants want to buy.

Private developers have arrived in Milton Keynes in force. The Development Corporation does everything it can to keep housing costs low, including doing deals with housing associations, insisting that developers have some element of social housing in any package and leading the field in shared ownership where people can buy part of a property and rent the rest.

In spite of all this, house prices are creeping up to the levels of the south-east. So, too, is the cost of industrial land. Land for B1 sites now sells at £500,000 an acre, comparable to other relocation cities outside London, and the MKDC is nowadays obliged to sell land at market rates.

It may well be true that Milton Keynes is not subject to the so-called demographic time bomb, the way other cities are. It does have a young population and more school-leavers than most. There is also a pool of married women who apparently want to return to work.

However, unlike other cities, Milton Keynes does not have a reservoir of labour created by

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Editorial production: Roy Terry

the decline of older industries. Often companies have to bring their own workers. Labour shortages, particularly among skilled workers, could start occurring.

Rising costs in these three areas, labour, land and housing, could increasingly diminish the attractions of Milton Keynes, although there is still a discount to London and the south-east.

Although no-one can gainsay the benefits of Milton Keynes from a communications point of view, another worry is whether the planned environment which has been a major draw will be maintained once the Development Corporation and its funds have gone.

Will the borough council, the county council or the trusts which inherit the parks, the trees and the roads have the wherewithal to keep them in pristine condition?

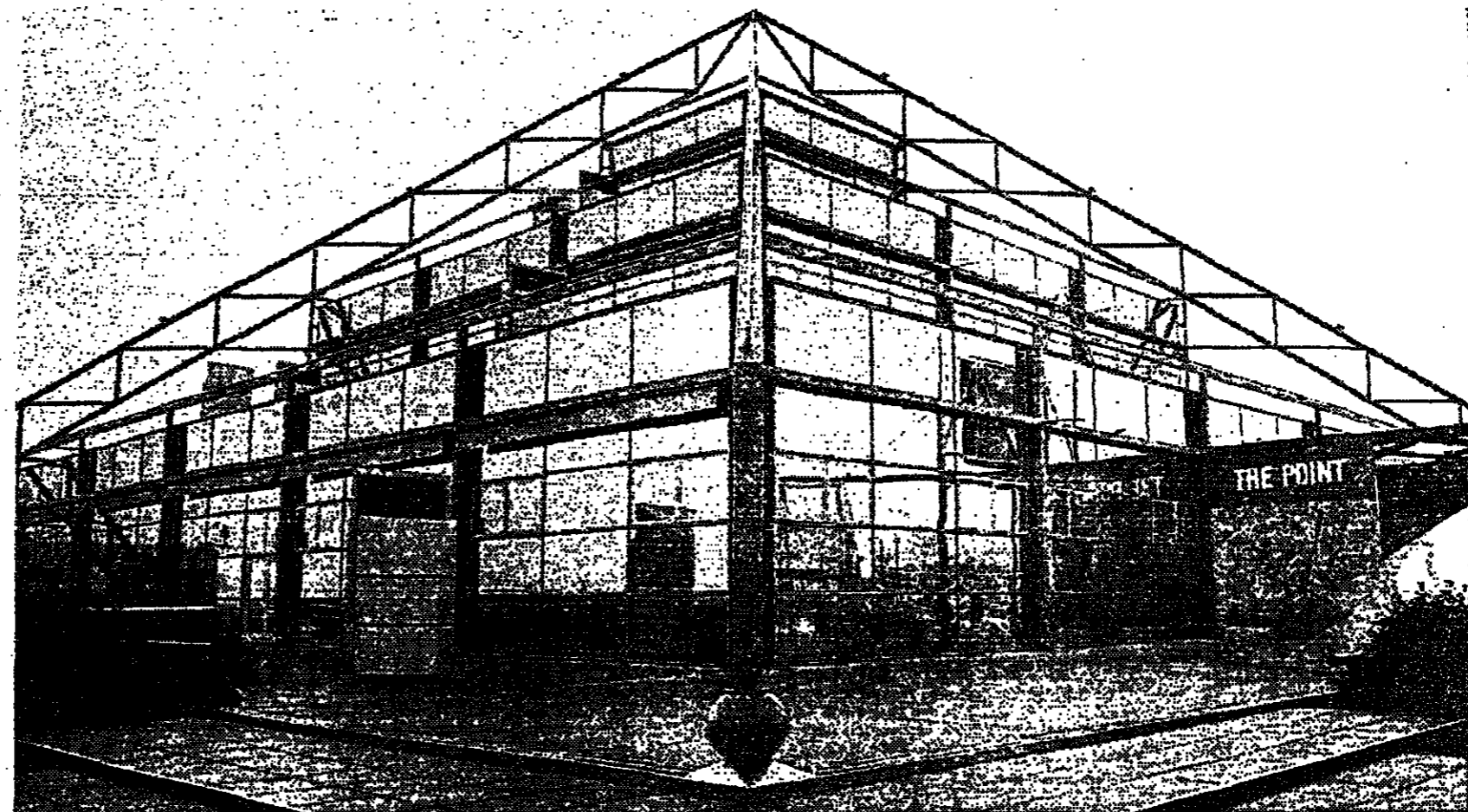
Unless the grid road system is completed by 1992, will the empty acres be turned over to private developers to build houses higgledy-piggledy without proper access? Will the borough council be able to ensure there is a proper range of housing at reasonable prices?

All these considerations have given the Development Corporation a sense of urgency. Mr Bob Hill, the commercial director at the MKDC, feels that while it is important to complete the road network, it is crucial that the development of central Milton Keynes is completed. If there are complaints about the city they turn on the lack of an integrated city centre.

However, conditions have improved enormously in recent years. There is the shopping building which, with free parking and 1m sq ft of floor space, is a great success and is heavily used.

The Point, which is thought to have been the country's first 10-screen multiplex cinema, attracts young people into town in the evenings and at weekends.

The Winter Garden, next to the Business Centre building, has pubs, a disco and a health club. Soon, the Leisure Plaza. Continued on Page 6



New town symmetry: The Point, a multi-screen complex, is one of the few centres for social life in the evenings. See Page 6

## MILTON KEYNES

# They've brought back the birch.

MILTON KEYNES HAS PLANTED ONE MILLION BIRCH, ELM, ASH, CHESTNUT AND OAK TREES SINCE 1970.

## MILTON KEYNES 2

## DEVELOPMENT CORPORATION

## Countdown to completion

250,000 before the end of the century. The recent lower level of household formation and other factors have meant that a level of 200,000 is more probable. The population is now 145,000 compared with 40,000 when the Corporation was set up. Overall around 70,000 jobs have been created net.

The failure to reach the population target is not worrying in itself. The demographic changes taking place in the country and not just in Milton Keynes, have long made it evident that a lower population would be likely. If the total should reach 200,000, however, that is probably enough people to give the town critical mass, in the sense that the thousands of companies which have set up there would not start disinvesting because of acute labour shortages.

For reasons apart from population, however, it is clear that senior executives at the Corporation would have liked rather longer to create the town. At the moment there are still 3,000 acres earmarked for houses and 1,300 acres for industrial use still undeveloped.

More importantly, the grid road system has yet to be completed. The Government recently agreed a special £30m for the system so that it can be finished, but the planners see the roads and the land as all of a piece. The key to Milton Keynes's attractiveness as they conceive it is the totally planned environment. This means houses relate to factories, and to shopping and leisure and they are all linked in a master plan.

Failure by the Corporation to get everything in place by

1992 could mean that once the Corporation has gone the remaining developments could take place in an unplanned, unco-ordinated fashion. This would result in parts of the town - at the edges and in the city centre where social infrastructure is now being built - being developed in a random fashion. If this were to happen it would almost be a repudiation of what the planners have been trying to do. Some of the town would be one thing, i.e. part of a plan, the other would be alien to the plan.

Like other new town corporations, the Milton Keynes Development Corporation has enjoyed considerable power over the years. This has been in three areas. First, the Corporation became the planning authority for the designated area. Second, it had sweeping

powers of compulsory purchase or vesting rights as they are now called. Third, substantial Government funds were made available for the creation of the town.

Where Milton Keynes was different from the other new towns was that it was not built around the nucleus of an old existing town like, say, Peterborough. Milton Keynes was put together from three small regional towns, Bletchley, Wolverton and Stony Stratford and 13 villages. These were spread over a wide area (22,000 acres) and none of the towns provided a core for a town centre.

Milton Keynes was therefore, much more than most, a truly new town on a green field site.

Not everyone has been enthusiastic about the way the town has been developed. At the same time as acquiring the

land and the primary infrastructure, the Corporation has developed the 13 villages and towns as units in themselves with pubs, shops, community centres, and has also built new houses. It has linked up the villages with the elaborate grid road system. In between places it has not only strategically placed factories, but also developed parks and done other landscaping. It has, for example, planted 13m trees.

The overall effect, to the minds of some people, is of a town which is too sprawling and which lacks a heart. It is also considered by some to be a city for motorists and one which does not pay enough attention to pedestrians, even though there are a number of walkways running parallel to the grid roads. Even the critics would not deny, however, that the planners have built an entity which is largely free of pollution and congestion. Moreover, the people of Milton Keynes seem generally pleased to be there.

Stewart Dalby

Here, 1992 has a different meaning, says Stewart Dalby

## Heading for the big wind-up



Frank Henshaw

museum, and is looking for private-sector partners to build a new leisure complex.

Ostensibly, the least difficult area for the CNT to involve itself, is the industrial assets. MKDC estimates there could be factories and some fully serviced land worth more than £50m which could be sold off. It has gradually been dismantling itself from building factories as the pace of private development quickened.

On the land designated for industrial use there is probably around 1,000 acres outstanding. MKDC hopes to have it fully serviced, with access by the time it departs. The CNT will then sell it to private developers at market rates - some £300,000 an acre on the periphery and up to £500,000 in prime areas.

Inevitably, however, there will be a small core of factories which tenants do not want to buy. But most local councils run industrial estates, and it will probably be advantageous if some factories and offices remain available for rent. It will encourage companies who might look elsewhere, to give Milton Keynes a try.

The most contentious area for the transfer or realisation of assets is housing, both in terms of the existing stock and of land still available.

In the early days the Development Corporation oversaw the local borough council in house building. It had to. The houses for workers at all

levels, boardroom to shop floor, did not exist. The borough council did not have the remit - or the funds - to build a wide range of housing, and the private sector was not interested in speculative house building because the commercial return was not to be found.

MKDC became the major house builder and during the course of its life has constructed more than 40,000 dwellings at a wide range of prices. Offering homes cheaply for rent and at moderate prices to buy was a key element in attracting companies.

In recent years the private sector has found it profitable to build speculatively in Milton Keynes and they have put up everything from £20,000 starter flats to £400,000 detached homes in several acres.

At the same time, MKDC has been affected by the limits

imposed by the government on new public sector house building and also the right of council tenants to buy their homes. Strictly speaking, MKDC has not been subject to the same curbs of local authorities but it has not been politic for the Corporation to build houses completely on its own and it has not done so for some years.

The 10,000 or so homes still in the Corporation's ownership are all let and the tenants are or will be offered the right to buy.

But not all will wish, or be able, to buy and what happens to the rump has been the source of friction between the MKDC and the local borough council. When the Peterborough Development Corporation was wound up over a year ago, the outstanding tenants were given the choice of being taken over by the local authorities or going into housing associations. Overwhelmingly they voted to go with the local council.

The Milton Keynes District Council, which politically is a hung council, would like to take over the housing stock, it seems, and will probably put in

a bid to do so. However, it is worried about whether it will have the means to maintain and expand the properties, and wants either the MKDC or the CNT to make some provision for the stock.

There are similar worries about the land remaining within the designated area, which has been earmarked for housing. The Corporation estimates there is some 3,000 acres outstanding which properly developed could mean a further 20,000 dwellings.

MKDC cannot build houses itself but it is rushing to develop the land in conjunction with private developers before 1992. It has pioneered all kinds of techniques to keep costs low including shared ownership, housing trusts and, in some instances, stipulating that packages must contain a certain percentage of social housing.

It estimates that it is still possible that with these *de facto* subsidies affordability levels start at people with incomes from £7,000 to £11,000 for rental housing, £9,500 to £15,500 for shared ownership housing and £15,000 to £19,000

for low cost sale housing. In today's soft markets, however, there must be question marks over whether MKDC can complete the programme in time. The worry then is what becomes of undeveloped land. MKDC and the CNT are obliged to sell at market rates. Prices have now risen to levels of the south-east. The borough council worries that at £500,000 an acre it will not have the wherewithal to develop the land, and will have no option but to let developers build high cost housing.

It may not happen this way, of course. Developers might not find it profitable over the next few years to develop the margins of Milton Keynes. The CNT does not have to liquidate the assets of MKDC immediately it takes over. It does have some latitude to manage properties if this is seen as the best way forward.

Generally speaking, however, the Government wants the CNT to realise assets as quickly as possible.

If all goes according to plan then, by 2000 MKDC will have made a net investment of minus £220m. Put another way, having spent close on £1bn of public money (MKDC plus other) the Government should see a profit of £220m. At the same time private sector investment should, in theory, stand at £368m. MKDC would then be seen as a success.

## KEY FACTS

POPULATION		
At Designation <sup>1</sup>		
Designated Area	40,000	
Borough (estimated population)	60,000	
At present <sup>2</sup>		
Designated area	145,000	
Borough	177,900	
EMPLOYMENT		
Jobs at designation		
Designated area	18,350	
Borough	21,350	
Jobs at present <sup>2</sup>		
Designated area	81,860	
Borough	92,400	
UNEMPLOYMENT <sup>3</sup>		
Great Britain	5.8%	
Travel to work area	2.3%	
East Midlands	5.3%	
South-east	3.8%	
COMMERCIAL FLOORSPACE (sq m in the designated area)		
Existing stock at March 1989		
Industry	1,680,322	
Offices	283,545	
Shopping (local)	99,736	
Shopping (central Milton Keynes)	119,267	
Total	2,182,870	
HOUSES and FACILITIES (in the designated area)		
Housing		
Existing stock at March 89		
Owner occupied (including shared ownership)	35,804 (66%)	
Private and Housing Association	2,434 (4.5%)	
Public rent	16,066 (29.5%)	
Total dwellings	54,304	
Facilities		
Schools	80	
Pupil places	30,647	
Health centres	9	
City roads	92.2km	
FINANCE		
Net capital expenditure in the designated area (£m)	Expenditure in 1988/89	Cumulative to March 1989
Private	294	1,486
MK Development Corp	(56)	435
Other public	31	392
Total	269	2,313

<sup>1</sup> Milton Keynes was designated a New Town in 1967.  
<sup>2</sup> As at September 30, 1989.  
<sup>3</sup> Including school-leavers.  
 Inquiries: The Press Office, MKDC, telephone (0908) 620692.  
 Source: Milton Keynes Development Corporation

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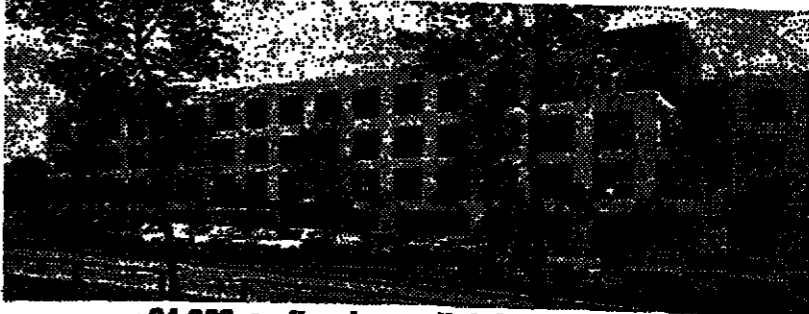
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## MILTON KEYNES 3

Stewart Dalby investigates commercial experiences in the town

## Companies on the move

FOR THE Terrapin Group it was not so much a question of choosing Milton Keynes, as being chosen by it.

Just after the Second World War when the group was set up, it started out making temporary structures. Wolverhampton, one of the three regional towns which much later became part of Milton Keynes, was then a railway town. Therefore, it had the kind of labour force a company like Terrapin needed.

At first, this meant carpenters, men who had been building railway sleepers and sheds. As there were huge amounts of scrap metal in the late 1940s and the demand for prefabricated homes grew, it acquired engineers from the existing pool of workers.

By the time the Milton Keynes Development Corporation was set up in 1967, Terrapin was a well established company. It is now involved in a range of temporary and permanent design-and-build structures. These include schools, libraries, factories, offices for health authorities and the like. The company has many licensing agreements abroad and has a turnover of £25m. It

employs several hundred people and owns 25 acres in Milton Keynes. On some of these acres the company has branched out into property development by building a small industrial estate of offices and factories for rent or sale.

The group is happy to be in Milton Keynes. But Mr Athol Lonie, the group marketing director, has one small quibble. He says in the early days of the MKDC the impression was that Milton Keynes would be a centre for manufacturing industry. As things have turned out it is more a service industry centre. This has led, in Mr Lonie's view, to something of a lack of "cross-over" in manufacturing, especially when it comes to acquiring skilled engineers and designers. Terrapin has expanded in Derbyshire because of the skill shortages it found in Milton Keynes.

Abbey National, which we must now call a bank, has no such problems in finding staff. Indeed, one of the reasons the company - with 800 employees - is one of the largest in Milton Keynes - moved to the town was the increasing troubles with staff it encountered

in central London. By the early 1970s Abbey National had all the classic problems of a service company stuck in the capital. Physical expansion was difficult. The company did not want to abandon its famous headquarters building in London's Baker Street, but it had become too small. Exorbitant office rents was a factor against expanding elsewhere in London. Few of the staff could afford to live in central London and they had difficulty commuting. They often took long lunch hours for shopping. As one Abbey National executive put it, "a lot of the staff were brassed off".

Because there was and is a London weighting of £3,000 on some salaries, many staff continued to struggle in, although turnover was high. With the improvements in communications Abbey National did not have to leave all its administrative staff in expensive crowded London. But where to go?

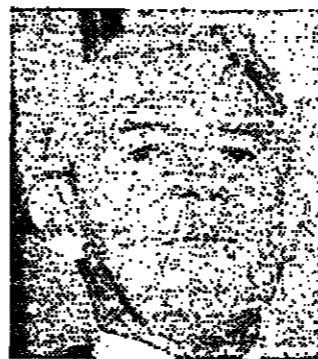
The cynical view is that Milton Keynes was chosen because a former Abbey chairman had close links with the Development Corporation and wanted to throw some business

its way. This connection may have tipped the balance in favour of Milton Keynes as against Peterborough, say. Both places offered the key element Abbey National was looking for.

They were both close enough to London to move out the bulk of the administrative staff, while maintaining a headquarters staff in London. Trains from Peterborough and Milton Keynes go into King's Cross or Euston, so it is convenient for London's Baker Street.

However, Milton Keynes offered a prime site, cheap, right opposite the station which British Rail built in conjunction with the Development Corporation. Abbey National made its move slowly over a number of years and managed to take half its staff with it or around 350 out of the 800. Even in the early 1980s properties were still at a considerable discount in Milton Keynes.

Even now the company says it has no problems finding staff, despite the alleged labour shortages. Wage rates are appreciably lower in Milton Keynes than they are in Lon-



From left to right: Athol Lonie, David Evans and Simon Cuthbertson

don. Productivity, the company feels, has gone up since the staff can have lunch on the premises and do their shopping in the evenings and there is free parking at the Abbey National building and at the shopping centre. Milton Keynes appears to have worked for the Abbey National.

It also appears to have done well by DRS which stands for Data and Research Services. This small, high-tech company has been in Milton Keynes since 1975.

The company specialises in data capture using optical scanners. It offers three technologies: OMR (optical mark reading), OCR (optical character recognition) and a service using optical technology for information gathering.

The company is increasingly selling its services to schools in the UK and abroad in places such as Nigeria and looks set for a strong expansion.

Mr David Evans, the company secretary, and Mr Roger Singer, the marketing development manager, say they are very satisfied with Milton Keynes. They cite a pleasant site, a stable workforce and excellent transport links to airports and ports as well as to London as the reasons they plan to remain. They are not experiencing any difficulties in finding the skilled labour they need, and point out wages and factory rents are still lower than along the so-called M4 corridor, in places such as Reading and Swindon.

When the company was looking to relocate in the early

1970s it considered Peterborough and Durham as well as Newport Bagnall and Reading. Four years ago, when the company was ready to expand into a new factory it did not, in the words of Mr Evans, "consciously look elsewhere". The MKDC, he feels, has done an excellent job.

British Standards Institution chose Milton Keynes essentially because it was close to Hemel Hempstead. A quasi-government body, the BSI was set up in 1901 by royal charter. Today it is funded by government money, by subscriptions and by the sale of standards.

When BSI started to outgrow its premises in Hemel Hempstead it looked round for a suitable place to move key workers. Unlike many service companies it did not need a

pool of clerical staff, but a site to which key scientists and engineers would agree to go. Milton Keynes fitted the bill almost perfectly insofar as it was close enough to Hemel Hempstead almost to commute. BSI has 684 staff in Milton Keynes concerned with standards and quality assurance, 269 in Hemel Hempstead involved in testing and a further 307 in London.

All these concerns feel Milton Keynes has now reached critical mass in a commercial sense. There is a very lively business scene where companies feed off one another for information and ideas. This is perhaps evidenced in the growth of professional companies which service the businesses. Coopers & Lybrand, the consultants and chartered accountants, now has a considerable presence in the city.

Mr Simon Cuthbertson, who heads the general practice, says there is a large catchment area to be dealt with from Milton Keynes.

"The fact is, you can deal with Luton, Bedford, Northampton and Aylesbury from here. But you couldn't deal with Milton Keynes from Bedford, say," he says.

Although the rate of new company arrivals might now start to slow, there seems little doubt that for those who are already there it has been a good move.

Everywhere in mainland Britain easily accessible

## Sold on communications

A FORMER chairman of the Milton Keynes Development Corporation is often quoted as saying that if Milton Keynes could not be promoted as a centre to place a company then the company should not be in the relocation business.

He was referring to Milton Keynes's most obvious selling point - its excellent communications. Milton Keynes is almost exactly midway between London and Birmingham, England's second city. The M1 motorway linking the two centres runs along the periphery of Milton Keynes. There are routes to Heathrow and Gatwick airports along the M25 which can be reached in 45 minutes during off-peak travel hours. Luton airport is even closer. Once the A1-M1 link is complete the east coast ports of Felixstowe and Ipswich will be easily accessible.

The Development Corporation authorities claim three quarters of the UK's population live within a three-hour drive of Milton Keynes. They also say that everywhere in mainland Britain is accessible within an eight-hour drive in a heavy goods vehicle. As for

trains, there are six each hour to London. The quickest takes 45 minutes. Birmingham International airport is also 45 minutes away on the InterCity service.

In terms of communications, Milton Keynes can justifiably claim to be one of the premier relocation spots in the UK. Good communications are cited as the chief reason why companies choose a particular town over another. But they are not the only consideration.

Of almost equal importance, are two other factors: the cheapness of land for factories and houses and the availability of cheapish labour. When it comes to costing an operation both these elements are priced locally rather than nationally. Land can be made artificially cheap if there is a development agency, such as the Scottish Development Agency or the Welsh Development Agency, to give grants and other help. The Milton Keynes Development Corporation has not been allowed to offer financial incentives because the town is too close to the south-east.

But in the early days land for factories and housing was

cheap, simply because Milton Keynes was virtually a green field site.

The designated area was 22,000 acres, only a fraction of which was taken up. The Development Corporation which was the owner of most of the land and was also the planning authority for it, was able to offer fully serviced industrial land for sale or rent. The Corporation built tens of thousands of houses for rent at modest prices and it sold plots of land to people who wanted to build their own homes.

Prices for land have in the past few years begun to catch up. Prime land now costs £500,000 an acre which is comparable with other towns within reach of London bidding for companies to relocate or expand. The net so prime industrial land costs £300,000.

Where the MKDC has been far-sighted has been to offer a

planned environment. When a company bought land it was usually or often offered an option to purchase the adjoining site at a future date.

This has been vital for some companies that have prospered beyond their expectations and outgrown their original sites.

In some other new towns, it is ready to expand it can conveniently build next door. The main stipulation is that the company uses the land itself. It is not allowed to speculate in land. If it does not use the land then it reverts to the MKDC.

The ability of companies to expand existing premises

Three-quarters of the UK's population live within a three-hour drive

such as Redditch, there is now a severe shortage of industrial land. Companies that went there as little acorns are now large oaks bursting their physical limits.

In Milton Keynes a company buying a site takes out an option on an adjoining or nearby site. It updates this option regularly to take account of market rates. When

rather than move elsewhere has been a key part of Milton Keynes's ability to attract and keep industry. So, too, has been the availability of cheap housing.

When the Corporation started in 1967 the population in the designated area was only 40,000 and there were 18,350 jobs. Unlike other former industrial towns there was not

a vast amount of unemployed labour on which to draw. Companies had either to bring their own workers or import them from elsewhere.

Crucial to this was somewhere for workers to live. The MKDC built more than 40,000 houses, many for rent. Most of these have now been sold off and the MKDC can no longer build houses for rent.

The Corporation is attempting to keep prices low by shared ownership schemes and encouraging housing association. However, the speculative builders have arrived, and, as with industrial land, Milton Keynes has caught up with other parts of the south-east in terms of house prices, even though prices are static or falling.

The shortage of labour could become a serious bottleneck for Milton Keynes's future development. Unemployment

is down to 2.3 per cent and without cheap housing, there will be little encouragement for people to move to the town.

The MKDC claims it is not as badly off as other places. It has a young population and will not suffer from the severe drop in school-leavers predicted for the country as a whole by the mid-1990s. The MKDC says it has identified a pool of married women who want to return to work. It is also possible to calculate from ticket sales that 10,000 people commute to London each day. However, this could be misleading because people from surrounding areas park in Milton Keynes and go to London. London is also so close that people go on daily shopping trips. However, there is evidence of a greater net immigration to Milton Keynes than emigration.

There may well be commuters who could be persuaded to stay closer to home if wage levels rise sufficiently. Despite all this, the possible labour shortages provide a cloud on the horizon for Milton Keynes.

Communications, cheap land and a good availability of labour are not the only reasons

for companies to move, start up or expand. People have to take into account schools, and the quality of life. But these three factors have been critical for Milton Keynes.

The population is now 145,000 and in the Milton Keynes borough as a whole there are 52,400 jobs compared with 21,350 in 1967. These figures are not strictly comparable since the basis of estimates has been changed, but the MKDC claims that net, something like 70,000 jobs have been created.

Private investment towards the end of last year was £1.75bn. More than 2,500 companies have set up in Milton Keynes in the past 23 years. By the time the Development Corporation is wound up in 1993, investment should top £2bn. It is thought private investment could reach £3.8bn by 2000. By then the net public sector investment at current prices would be about £400m. Should this turn out to be the case, the MKDC would consider its job to have been largely well done.

Stewart Dalby

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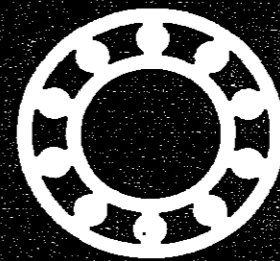
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NEXT month sees the public launch of the National Energy Foundation, an independent charitable trust established to promote better use of energy in the built-up environment. Its genesis lies in energy-specific projects at Milton Keynes. Its impact could achieve tangible savings in energy consumption across the country in a relatively short period.

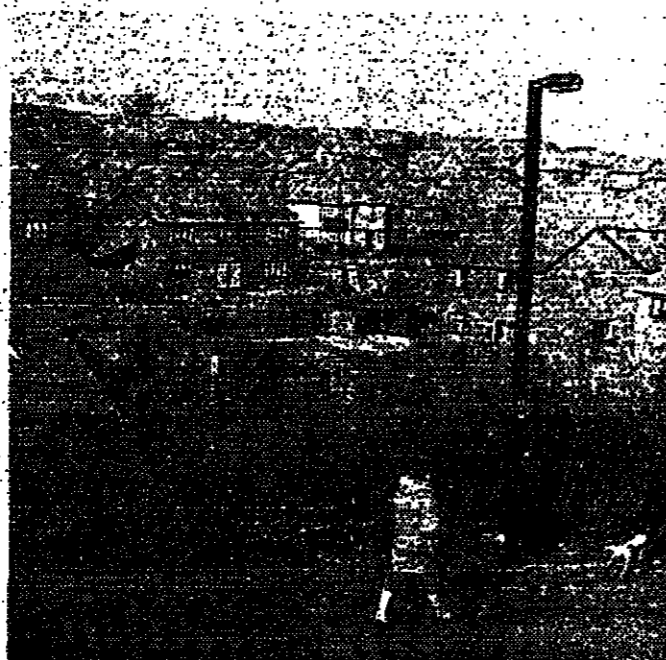
The Foundation will frame its message round the simplest of formulas, the National Energy Rating (NER), which measures energy efficiency in domestic households. The least efficient - a draughty, uninsulated Victorian villa - would probably rate one or two on the scale. The most efficient - houses built to modern Scandinavian standards of heat conservation - would rate around nine. In between, present UK building regulations produce a rating of five, soon to be upgraded to around six.

Milton Keynes' own standards for all new houses built in the city produce a rating of seven; a large demonstration project already under way in the city's energy park will achieve an eight rating - which in our moderate climate means minimal energy consumption and costs.

The rating concept is a development of fully-validated Building Research Establishment models. Using licensed software, a national network of inspectors will offer an energy rating survey to householders which takes the design and form of construction into account, along with the efficiency of heat and light systems.

Stephen Fuller, director of the National Energy Foundation, believes that NER will become an essential indicator of performance. He predicts ratings of six and over being used as sales props by estate agents, rather like fuel efficiency sells cars. Schoolchildren may be taught to recite energy efficiency rules rather like their accident prevention slogans. The market will prevail.

The whole thrust of Mr Fuller's work with Milton Keynes Development Corporation in his previous job as project director at the energy park was to establish the commercial viability of energy measures. In the early 1970s Milton Keynes established a reputation for innovation through a rental scheme at Pennyland and private developer houses at Great Linford, both using



New houses in Milton Keynes are built to conserve energy

#### HEAT CONSERVATION

## Taking energy's measure

passive solar collection techniques combined with high insulation. Individual approaches, built with the corporation's help and encouragement, explored different approaches to energy conservation. But each experiment was conducted, and monitored, individually.

Mr Fuller returned from consultancy work overseas to produce a 1982 report drawing together the Milton Keynes projects and the thinking behind them. The next logical step, and a crucial commitment, lay in designation of two kilometre squares within the city as an energy park - Shenley Lodge for housing and Knowlhill for industry. They would be developed to normal architectural and environmental standards, apart from the special emphasis on energy saving.

In 1986 the energy park made headlines with the opening of Energy World, a collection of 50 very individual houses illustrating various concepts of energy efficiency. These,

together with 110 more standardised houses remain part of an ongoing project, individually monitored for energy consumption. They include a sheltered housing complex with its own combined heat and power plant.

Phase two of Shenley Lodge will consist of 800 dwellings, planned to reflect a cross-section of housing types from five-bed detached homes to housing association rented apartments. Abbey Housing, for instance, is in the process of building a scheme aimed to demonstrate the relationship between heating costs and rental levels.

Mr Fuller has deliberately involved the maximum number of developers and construction companies to show that better insulation, closer attention to design and the use of methods such as passive solar gain costs only marginally per square metre more than standard housing. It can, however, be a useful sales tool. Energy efficient houses do well on the open market - a process

which is also being monitored. Now, the employment area at Knowlhill is under way. There are just five buildings on site so far - the svelte Solaris Court, developed by London & Edinburgh Trust and believed to have been taken by the Post Office; the advanced Spectrum 7 factory, occupied by Wild Leitz, Leica distributors; the UK headquarters building for Pharmacia; and two speculative development corporation office blocks.

Knowlhill is itself soon to be relaunched as a Large Development Opportunity, marketed to a single consortium. Each building in the 50-acre business park will be expected to achieve energy savings of at least 30 per cent on conventional offices and factory space.

As part of the deal, the developer will also build the National Energy Centre on a prominent site close to the London-Glasgow mainline.

The centre - Mr Fuller promises something very exciting visually - is expected to attract about 500,000 visitors a year. It will combine trade and technical exhibitions with educational facilities and a themed, hands-on interactive display.

A third and final phase of the energy park is planned for a smaller area beside Furze Lake. Here the idea is to make use of lake water to heat (or indeed cool) housing and commercial development built on the south-facing bank.

Mr Fuller is at pains to stress that none of the energy park projects is particularly innovative in itself. It is the idea of combining and monitoring the effect of the projects and of involving mainstream operators, which is unique. Milton Keynes is indeed the world's largest, and most diverse, demonstration of energy-efficient construction. It is a spur both to the building industry and to the Government.

The National Energy Foundation will shortly move away from development corporation offices to its own premises in the energy park. The foundation, already quoted by British Gas and East Midlands Electricity as an authority, needs to reinforce its independence. Like other organisations spawned by the Development Corporation, life will just be starting come the 1992 wind-up.

Robert Waterhouse

THE Open University is, at around 2,000, the biggest employer in Milton Keynes. The chances are it will soon be replaced in that role by private sector dynamism, but the OU has played a unique part in the growth of the new town. Conversely, Milton Keynes has proved the ideal location for a university which conducts its business via correspondence and regional centres.

Visiting Walton Hall is rather like catching a university campus just after term-end. The lights are shining brightly, people shuttle busily about administrative tasks, but there are no students. Attractive though this may seem in theory to harassed teachers, it brings alternative pressures. The OU has some 600 academics plus 200 research staff whose responsibilities spread to about 100,000 students in the UK and beyond.

As many again buy learning packs, often passed (with the OU's active blessing) between multiple users. The packs start at around £20 for, say, an introduction to symphony orchestras and climb to £600 for engineering programs - including software and hardware.

Although it is not a political football, pruning of grant support by the Government has led to an increase in tuition fees well above the rate of inflation. A typical course costing £45 a year in 1971 and £173 in 1981 is today about £350. The OU now generates £30m of its £100m turnover from fees and publishing ventures.

Over the years since 1971, with the core business of degree courses fully estab-

#### OPEN UNIVERSITY

## A very learned correspondent

lished and recognised, the OU has moved into the mainstream of continuing education, working with industry and institutions to open up the prospect of higher education. Mature students with no formal qualifications can now gain an MBA or an MSc via diploma courses and projects. The OU has made a speciality of in-service courses for nurses and teachers.

Dr Ian Dey, deputy director of the School of Management, set up within the Open Business School as a full faculty to develop the MBA programme, says that the courses, self-financing from the start in 1983, have seen a growth rate of 35 per cent annually since. This academic year some 750 students began on the MBA trail, which will take them a minimum of three years.

Non-graduates, who are expected to have relevant experience and be at least 27, enter via the OBS's Professional Diploma in Management. It can cost individuals almost £5,000 to qualify for an MBA, but Dr Dey notes a growing number of people prepared to invest in their own future career prospects, often encouraged by their employers.

Given the relatively small

number of MBAs qualifying nationally each year, the much greater cost of residential full-time courses, and the lingering paucity of management skills within British industry, the Open Business School recognises its opportunities and responsibilities. The school has been associated with the Management Charter Initiative, developed under Bob Reid's tutelage at Shell, whose perceptions are framed by one frightening statistic: of Britain's 2.5m managers only 18 per cent have any training.

The Open University is also aware of its potential as a resource centre for industry, placed as it is in the country's fastest-growing city beside hundreds of new and expanding companies. To this end, the Contract Training Unit was set up outside the OBS offering one-day or customised training courses. Within the unit, Tony Pearce, an engineer by background, was appointed two years ago to a three-year post funded by Milton Keynes Development Corporation. His brief was to encourage training links with local industry.

Mr Pearce admits candidly that the idea has not proved a runaway success. "The economics of contract training

mean that it has to be geared to groups of at least 10 people, and that doesn't fit the small companies which predominate in Milton Keynes," he says. "At the end of the three years we will almost certainly conclude that the city is not a viable market for contract training. That doesn't mean to say small companies can't benefit from our expertise. We could really help them through crucial development stages."

The problem is not just cost for these companies. It also relates to sparing key people, and to company organisation. Trial projects investigated price sensitivity, used employer networks and small business clubs. With notable exceptions the Milton Keynes business community showed little enthusiasm. However, Mr Pearce's time has not been wasted. The CTU is beginning to make a mark nationally, and he has taken on responsibility for software management courses.

Because it must sell its services to industry in a highly competitive market, the CTU is learning to cope with an image problem relating to the OU's very success in its core business. "The public perception is as a second chance for housewives," suggests Mr Pearce. He and his colleagues have learned to use prestige venues, top-class speakers (including the OU's own high-profile academics such as Professor Doreen Ince) and to charge full market rates. Any suggestion of a recycled hand-out goes down very badly.

Robert Waterhouse

## A Japanese home from home

ENPLAS (UK), a Japanese manufacturer of high precision plastic components for video equipment, is in Britain because cost factors in Japan, notably a strong yen, meant it was cheaper to manufacture in countries to which the company would normally export its products.

The parent company, Dai-ichi Seiko, set up a plant in Singapore in 1975, in Georgia in 1983. In the UK it employs 30 including three Japanese managers, and has a turnover of £4m, half of which it exports to Europe.

Britain was chosen because freight costs, import duties and the long lead times, were all against using Singapore to tap the large European market. The prospect that non-tariff barriers against Japanese companies will intensify come the EC internal market in 1993, gave a certain urgency to the idea of Enplas establishing itself somewhere in Europe before then.

If the arguments for Britain were convincing for the company, why Milton Keynes? Mr Okada goes on at some length about the quality of life in Milton Keynes, the wide open spaces and the recreational facilities. He also stresses that Milton Keynes is very convenient for Heathrow, and, as the

company is a low volume high value manufacturer, the airport is the critical outlet.

However, the simple answer, perhaps, is that Enplas was attracted to Milton Keynes because other Japanese companies were already there. There is critical mass as far as the Japanese are concerned.

There are now 33 Japanese companies in the town, which has probably the largest concentration of Japanese concerns in Britain, although in terms of employment by Japanese companies, Telford is probably bigger. Mr Okada says that because his company is not labour intensive Milton Keynes' shortage of workers

does not really affect it. Had Enplas needed hundreds of workers the company would probably have gone elsewhere, perhaps to Telford or to Scotland.

There is a Japanese school in Milton Keynes and, as Mr Okada points out, the city is close to north London where there are all kinds of Japanese businesses, garages, hairdressers and printers. Given the cultural difficulties Japanese have in adjusting to foreign countries, they obviously prefer places such as Milton Keynes where they can club together for warmth.

Stewart Dalby

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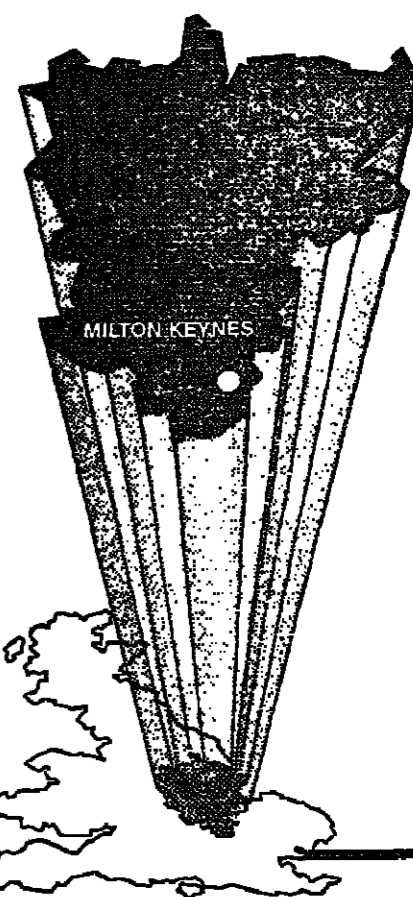
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## MILTON KEYNES 6

Robert Waterhouse examines the city's lifestyle

## Few grounds for pleasure

CREATING a new city is a good deal of fun for architects and planners, especially with hundreds of millions of public pounds to spend. Living in that city can prove less fun during the formative years.

Milton Keynes claims to be Britain's most successful new town in terms of commercial and business activity, and jobs. But what inspires the 100,000 or so new inhabitants when they are not working?

Being less than three-quarters of an hour by fast train from London makes trips to West End shops or shows hardly unusual. More than one third of the new population have origins in London and a further 38 per cent in the Home Counties (excluding Bedfordshire, Buckinghamshire and Northamptonshire) so Milton Keynes has fought an uphill struggle against the lure of the capital. The city has its own chamber orchestra and a unique music venue, The Stables, created by John Dankworth and Cleo Laine beside their Wavendon home, but that is it.

Only now, 22 years after des-

ignation, Milton Keynes is beginning to develop an *apres travail* culture. This, reflecting its youthful population profile, revolves around physical rather than intellectual relaxation. The new city is becoming a regional magnet for the South Midlands in terms of roller and ice skating, indoor and ten-pin bowling, a mini grand prix racing circuit and so on. Outdoor activities include two new golf courses with the possibility of a third; power-boating, sailing, bird-watching and angling on a sequence of man-made lakes; cruising on the Grand Union canal; or simply enjoying the linear park cleverly entwined north-south through the city.

These are all tangible lifestyle benefits, demonstrable to businesses looking at Milton Keynes for relocation and fully enjoyed by residents. When LivingWell Health and Leisure signed to develop a health club in the Winter Gardens, the company knew it would have to provide something special because public swimming pools and gymnasiums were already excellent. LivingWell is

a London-based organisation which until the Milton Keynes venture opened early last year had operated only in the United States. It put US practices on trial here, and it has not been disappointed.

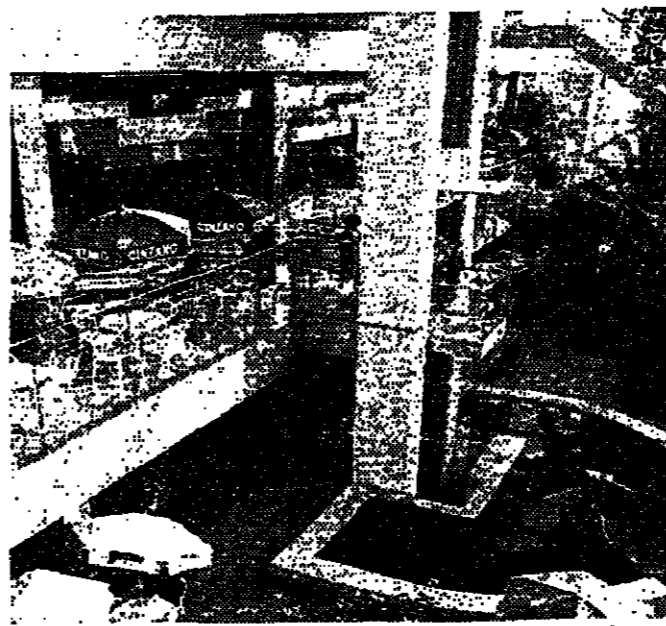
LivingWell's emphasis on customer service and exclusiveness has found plenty of takers in the new city - people or companies willing to pay a joining fee of up to £265 plus hefty monthly dues. According to David Sheriff, the company's US-born development manager, membership lists are nearly full. Research shows that 10 per cent of the 2,800 members use one or more of the facilities every day. LivingWell is opening London clubs on Edgware Road and Cromwell Road, closing a deal with Ladbroke at Watford, and looking seriously at a Sheffield site.

Part and parcel of LivingWell's £3.5m Milton Keynes investment was to create restaurants and a nightclub in the Winter Gardens. This is proving an altogether slower task. Central Milton Keynes obstinately remains an accretion of interest nodes rather than a

thriving city. Despite success stories such as The Point, the 10-screen cinema and entertainment complex which has become the haunt of the young, there are still not enough clubs, restaurants, bars and dives in the city centre to give impromptu visitors that essential element of anticipation and surprise.

The grid street pattern, which serves the city well throughout, does not lend itself to small-scale variety. Things will improve with the proposed theatre complex (on offer again after Richard Branson proved unable to raise the capital), the museum and art gallery, the multi-denominational "cathedral" - the Church of Christ the Cornerstone, work on which starts shortly - and a second luxury hotel planned for the final phase of the Central Business Exchange.

The most dynamic growth sector of central Milton Keynes remains the office area, where the prospect of rents at £20 per sq ft and the emergence of regional headquarters operations has caused the cranes to fly. Office development is bringing parking problems for the first time, problems compounded around the station by London commuters who arrive by car from as far away as Birmingham because,



Winter Gardens: a new health club has 2,800 members

for the time being at least, street parking is free.

Just how far central Milton Keynes has to go may be judged by taking a short trip to Stony Stratford, the coaching town in the north of the city on Watling Street, the old A5. Stony Stratford has benefited from nearby residential areas without quite being engulfed. Sensitive planning ensured that the town kept its integrity. There is now a double bypass of the A5, allowing semi-pedestrianisation of a main street where the ancient Cock and Bull hotels stand side

by side - originators of the tall story.

It is a comparison so extreme as to be almost unfair, but Stony Stratford has all the quirky character, the winding alleyways and jumble of architectural styles, the interwoven shops, housing and workyards one tends to associate with interesting places. Pubs, takeaways and restaurants abound. Hotels luxuriate in names such as the Different Drummer where central Milton Keynes has the Post House. The public loo sports imaginative graffiti; its award-winning neighbour

at CMK's shopping centre is faultlessly clean and unadorned.

This centre, opened more than a decade ago, remains the nearest thing to a beating heart in the new city and has already become a classic of its kind. In size alone - 1.1 million sq ft of retail space, all on one floor apart from the John Lewis department store, with another 500,000 sq ft of public space - the shopping centre is almost a city in itself.

Walking up one covered arcade and down the other is a round trip of about a mile. Derek Baker, the shopping centre manager, reckons there are 500,000 pedestrian visits a week. Access is the key - free parking along the whole length and opening hours of 7am to 11pm seven days a week mean people use the centre, and its associated supermarkets, very much as a high street.

Mr Baker, a former army officer, marshals his cleaning force with precision. The 98 litter bins are emptied every 20 minutes throughout the day. When the doors close at 11pm big machines roll out to buff the travertine marble floor, covering six miles each night. Window cleaners never stop: they have more than 1 million sq ft of glass to keep bright. The lawns and summer flower displays, he boasts, are among the best in the city. There is even need for judicious pruning of the tropical trees and plants which sub-divide each arcade. Everything grows.

Up to now the shopping centre has housed big high street names and small local ventures alike. But its very success - for instance attracting coach parties from well beyond the Midlands - inevitably means rising rentals and the slow drift away of the smaller turnover businesses as leases

come up for renewal. John Lewis's managing director, Jim Matthews, chairman of the shopping centre's association and a former chairman of Milton Keynes Chamber of Commerce, shares a concern for the small trader but is equally worried that the centre's logical expansion may prove difficult after wind-up of the development corporation.

"We have been trying to support the corporation's continuance," says Mr Matthews. "There is so much opportunity. We are concerned about how firmly the corporation can fix the guidelines which will apply after its demise. Expansion must take place to the same standards as before."

The John Lewis store itself confers regional status on Milton Keynes as the biggest shop between London and Nottingham. Across the way, the Waitrose superstore (also owned by John Lewis) is the largest in the land. Altogether, the company employs 1,250 people in the city. Mr Matthews reports that the downturn experienced in most city centres during the pre-Christmas season was not paralleled in Milton Keynes, where many shops beat their 1988 record weeks.

The city's flourishing economy has meant a surge in consumer durables stocked by shops such as John Lewis. Milton Keynes' residents own markedly more video recorders, home computers, compact disc players and telephones than the national average. Cynics suggest that without such diversions dark nights remain very long in the young city, and help account for the high birth-rate. As the roll call of entertainment centres grows that charge will be increasingly harder to sustain. And, of course, Stony Stratford is always just down the road.

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## So much still to be done

Continued from Page 1

will open with an Olympic-size rink, with seating for 2,500 spectators, a 26-lane tenpin bowling alley, a disco and themed restaurant and bar complex.

A huge multi-denominational church is being built in the centre, but a vast £60m development, which would have included a 700-seat theatre, a 200-seat cabaret venue and a private art gallery as well as private apartments, has fallen through.

This was to have been built by Vanson, the development company of Mr Richard Branson's Virgin group, but the

scheme collapsed over difficulties in raising the finance. Now Milton Keynes awaits other offers for a similar scheme. According to Mr Hill: "We have got to get a theatre and museum in place before we go."

Many in the development would have liked more time to complete the task. But new town development corporations have become unfashionable. The government believes inner city urban development corporations are the way forward.

As one executive put it: "Having spent the last 20 years and untold millions persuading

people to move out to the countryside and new towns, they are now going to spend the next 10 years and further untold millions getting them to move back into inner cities."

It is most unlikely that the companies already in Milton Keynes will move out once the Development Corporation disappears.

But with a little more time, the Corporation could have finished the job of turning Milton Keynes from a successful business city into a completed three-dimensional community. Twenty-five years, after all, is not very long in which to create a living, breathing city.

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With a strong natural resource and energy base, Western Australia has developed a significant range of value-added industries, including mineral and agricultural processing, fine wool and leather fashion, ceramics, and frozen and packaged foods.

### INVESTMENT WELCOMED

In developing its own technological base, Western Australia has encouraged technology transfer and expertise with overseas companies, especially in Europe.

The Western Australian Government actively seeks new and mutually beneficial business relationships and welcomes investment from outside Australia. The Government provides a wide range of services and incentives to assist business activity.

West Australian-based companies have the ability to be joint venture, or equity partners for investors wishing to enter the local market, or become the source of a unique range of quality products for international distribution.

### BUSINESS MIGRATION

Through investment opportunities, Western Australia can become a new permanent home through a Business Migrant Programme designed to attract foreign nationals with business expertise and capital to migrate to Western Australia. Assistance is provided in identifying business opportunities, or establishing joint ventures and immigration procedures.

Tourists and visitors are also made very welcome enjoying the temperate climate, beautiful beaches, spectacular scenery, and first class facilities catering for every recreational activity from deep sea big game fishing and surfing to desert safaris, bushwalking, cave exploring and wine tasting.

Tourism has become Western Australia's third largest industry as more and more people discover a quality of life seldom found anywhere in the world.



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Mr Bruce Sutherland  
Co-Ordinator General  
Ministry of Economic Development and Trade  
7th Floor, SGIO Atrium  
170 St George's Terrace  
PERTH WA 6000  
Telephone 61 9 327 5555  
Facsimile 61 9 327 5481

## WESTERN AUSTRALIA 4

## GOLD AND DIAMONDS

## Nugget adds value to precious metal

WESTERN AUSTRALIA'S determination to add value to raw materials does not stop with low-cost minerals. Even gold and diamonds, which fetch relatively high prices, are affected.

About two-thirds of the country's total gold production comes from Western Australia. In 1989, for the first time in 20 years, the value of annual gold output in the state exceeded that of any other individual commodity, including iron ore. Gold accounted for 25 per cent of the value of Western Australian mineral production.

Not content with that, the state's Development Corporation established GoldCorp, an organisation which since April 1987 has been making and marketing the Australian Nugget gold bullion coins.

Since the launch, GoldCorp has exported about 25 tonnes of gold bullion coins or roughly 9 per cent of total Australian gold output in that period. It has earned about A\$600m in export sales, including an important A\$50m premium over the market price of gold.

In spite of being launched at a time when the bullion coin markets have been relatively weak, GoldCorp's Nugget has won a 15 per cent share of the world gold coin market.

GoldCorp provides other services to Western Australia's gold miners and has established two new refineries to replace the 50-year-old one in Perth.

Meanwhile, Argyle Diamonds, the world's newest and — in volume terms — biggest diamond producer, is adding value to some of the pink-coloured stones for which it is famous by cutting and polishing a select few at a new centre in Perth. About 6,000 carats of diamonds are processed in this way each year and are sold at auction or privately, fetching more than US\$400,000 a carat.

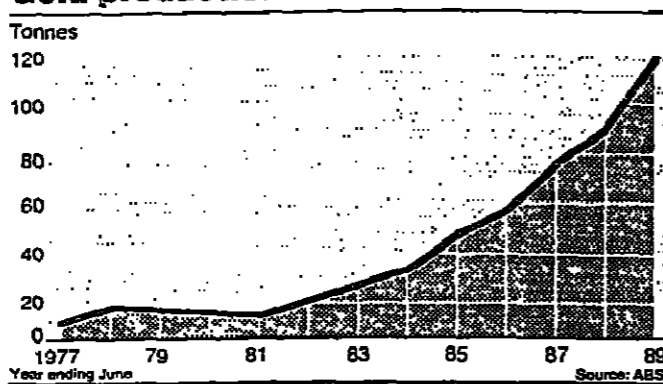
Argyle hopes to expand this good work by establishing an international brand identity for its diamonds — the first time this has been tried.

Argyle's diamond production should reach about 35m carats this year, generating revenue of more than A\$1m a day.

There is a great deal of diamond exploration going on in Western Australia but so far the only other producer is Bow River, downstream of Argyle's "pipe" in the Kimberley region. Bow River, now controlled by Poseidon, produces only 625,000 carats a year.

So the state's diamond operations are likely to continue to be dwarfed by its gold

## Gold production



business even though a drop in gold output from 1982 is widely predicted.

This is because in 1991 Australia's gold producers will lose their exemption from paying corporation tax. That has triggered a frantic pace of development as miners try to get out as much gold as possible before the tax is imposed.

Hectic activity has been a feature of the Western Australian gold industry since the early 1980s. In the 1988-89 financial year the state produced 120.8 tonnes of gold, up by 33 per cent from the 1987-88 level which itself had shown a 40 per cent rise.

A fall in the average price of gold partly offset the production growth last year but the value of the state's gold production is estimated to have risen by 10 per cent to about A\$2bn.

The gold price boom of 1979 was the catalyst for unprecedented exploration activity in the state. In 1987-88 mineral exploration expenditure in Western Australia totalled A\$480m, up 44 per cent on the previous 12 months. Gold exploration accounted for 78 per cent of it.

Just as importantly, the use of open-pit mining and new gold extraction technology involving the use of carbon pellets to remove gold from solution, brought a new dimension to the economics of gold mining.

The top 10 mines in Western Australia all rely on ore containing less than five grams of gold in every tonne.

The recent rise in the gold price after a two-year fall from

above US\$600 an ounce to \$360, has not come a moment too soon for the Western Australian gold miners. Costs are rising fast because of Australia's high interest rates — Mr Peter Lalor, managing director of Orica Resources, says, for example, the cost of hiring equipment jumped by 12 to 15 per cent in the past year.

If interest rates come down, the value of the Australian dollar is likely to collapse and costs will soar again — 35 per cent of the cost of the construction equipment is imported.

Mr Lalor says the imposition of income tax will be a big impost on profitable gold companies although, on the positive side, all exploration expenditure will be tax-deductible, an important concession for companies with positive cash flows.

The state has more than 600 registered gold mining companies but many small-scale, marginal mines are being worked out as rapidly as possible. Mr Lalor suggests that after the shake-out there will be fewer gold mines and fewer gold miners.

"There will probably be 20 or 30 companies owning 85 to 90 per cent of production. But that would mean the 1980s boom had given Australia another 15 or so solid companies in gold mining — and that's not a bad result."

Kenneth Gooding  
Mining Correspondent



(Above) It is a specialised skill to sort diamonds. (Left) The Perth headquarters of Argyle, the biggest diamond producer in the world, gets direct light from the south, which is needed for any sorting area in the Southern Hemisphere

## IRON ORE

## Chinese project goes ahead

CRA's subsidiary Hamersley Iron and the China Metallurgical Import and Export Corporation will export all its production to China to feed a new steel plant as output builds up progressively this year.

The total value of Western Australia's resource production in 1988-89 rose by nearly 14 per cent compared with the

previous year to A\$7.9bn. For the first time in 20 years the value of gold production is estimated to have exceeded that of iron ore. ASBm versus the previously mentioned A\$1.8bn.

In spite of a 5 per cent increase in sales, the value of iron ore output fell by 4.5 per cent because of depressed prices. Substantially increased prices for 1989 and 1990 were negotiated for iron ore sales to Japan and Europe but Mr Fred Madden, executive director of Robe River Iron Associates, points out that "we are selling iron ore at the same price as in 1980 in historic terms — in real terms it is 50 per cent below that level."

Robe has been leading the way in cleaning up the labour and productivity problems which have dogged the iron ore industry for many years. These date back to booming market conditions in the 1960s and also arose because Western Australia's iron ore mines are in a remote and arid area. Most Australian iron ore

though volume fell by 9 per cent compared with the previous year.

High prices encouraged Western Mining to buy the Agnew nickel mine, which was closed in 1986, to rename it Leinster after a local town and restart production. And recently Australian Consolidated Minerals, a division of BHP, said it would develop its Mt Keith nickel deposit in a joint venture with Outokumpu.

To the disappointment of the Western Australian Government, the partners intend to ship concentrates to Finland for downstream treatment.

Western Mining suggests that energy costs are too high for it to consider another nickel smelter in the state.

However, the Government still hopes that, in spite of the state's high energy costs, a consortium backed by South Korean interests will build a 300,000 tonnes a year aluminium smelter to give Western Australia its first such facility.

The Government's dream of adding value to iron ore with the introduction of steel-making to the state depends heavily on results from the A\$100m, three-to-five year HISMALT project set up near Perth which involves CRA, Western Mining and overseas interests looking at the viability of the direct reduction of iron to produce sponge iron and then steel billet.

Alcoa of Australia (a subsidiary of the US Alcoa but a company in which Western Mining has a substantial stake) is upgrading its Western Australian alumina refineries to raise annual capacity by 6 per cent to 320,000 tonnes.

Extraordinarily high nickel prices also benefited Western Australia in the 1988-89 financial year and the value of nickel production soared by 62 per cent to A\$600m even

## Profile: WESFARMERS

## Local dynamism

WHEN THE Perth Stock Exchange celebrated its centenary, a survey was held among stockbrokers to establish Western Australia's favourite local quoted company, writes Kenneth Gooding.

Wesfarmers won by a large margin.

Yet five years ago when it was listed for the first time, the company had few friends among local investors.

Two people in particular are responsible for transforming Wesfarmers from a sleepy but solid co-operative, owned and run by farmers, into a dynamic industrial group running along strict financial lines.

They are Mr Trevor Eastwood, the chief executive, and Mr Michael Chaney, finance director. Mr Eastwood joined Wesfarmers in the mid-1980s. He is an engineer by training and also a graduate of the Harvard Business School's advanced management programme.

Mr Chaney, a member of a prominent Perth family, trained as a geologist and has an MBA. He worked for the Australian Industrial Development Corporation before joining Wesfarmers in 1983.

Mr Eastwood says that, when he took over as chief executive in 1984, he decided first to put Wesfarmers' house in order and then expand by acquisition.

To achieve the first objective the philosophy was simple but effective. All parts of the business were given a target: they had to strive for a 25 per cent return on capital. Those operations which did not have a chance to meet this were sold or closed down.

Some figures show the success of these efforts. Since 1986 Wesfarmers' revenue has grown at an annual rate of 14 per cent but net profit advanced by 57 per cent and earnings per share by 48 per cent. Assets have grown by 13 per cent annually and shareholders' funds by 26 per cent.

Having started out in 1914 providing services to farmers, Wesfarmers today is primarily



Trevor Eastwood, the chief executive of Wesfarmers (above) and Michael Chaney, finance director (below)



a fertiliser and chemicals manufacturer. More than half its profits come from these activities, mostly from fertilisers. Wesfarmers' interests also include gas processing and distribution, agricultural trading, including wool and livestock agencies, rural merchandising, land sales and insurance.

The company employs 4,700, has 20,000 shareholders and in 1988-89 made a net profit of A\$54.8m on operating revenue totalling A\$1.4bn.

The diversity of its activities stems partly from a carefully considered decision to remain operating mainly in Western Australia. The strategy also involves growth by acquisition now that Wesfarmers is getting more or less maximum efficiencies from its present assets.

Mr Eastwood says that Wesfarmers shied away from expanding its existing businesses nationally or internationally because "Perth is still the most remote city in the world. If we were to go into new businesses we wanted them to be close to home. That way they could be managed more easily."

In any case, "90 per cent of

our shareholders are in Western Australia; the directors are all Western Australian people and a number of our executives wanted to live here, they no longer wanted to be transferred nationally or internationally."

Once the decision to concentrate operations in the state was taken, once the dividend policy was established and an annual A\$300m cash flow was being generated, expansion opportunities were snapped up. For example, having grabbed a large share of the Western Australian market for distributing liquid petroleum gas — by the expedient of refilling containers from bulk tankers rather than carting the containers around — Wesfarmers could see supply problems ahead. So it developed a scheme to extract LPG from the pipeline carrying gas from the North West Shelf.

"It was a very big scheme," Mr Eastwood admits. "But we had expertise in handling gas and a good engineering team."

Wesfarmers' latest acquisition springs from its desire to get into mining. It snapped up Western Collieries, based at Collie, south of Perth, which was previously, if briefly, owned by Mr Laurie Connell, now collapsed Rothwells group.

Mr Chaney recalls that Rothwells paid CRA A\$130m for the coal company two years before Wesfarmers stumped up A\$125m. Western Collieries has contracts which will require it to double output in the next four or five years — long-term contracts not subject to price fluctuations — so Wesfarmers will spend another A\$22m this year and A\$23m next year on expansion of the new acquisition.

Mr Chaney points out that Western Australia is so huge that Wesfarmers has not suffered unduly from tying its fortunes to the state. The company managed to increase profits every year since it was floated, even though in the year the Western Australian farming community has experienced some bad times, in both climatic and economic conditions.

He says that eventually Wesfarmers will spread its interests to the rest of the country. "When we were deciding on strategy we said: What is Australia going to be good at in 10 years? Let's stick to that."

"In due course we see ourselves as an Australian company. And if you want to invest in Australia, we offer that opportunity."

## MT BURGESS GOLD MINING COMPANY NL

Mt Burgess Gold Mining Company will bring its Yundamindera Gold Project in Western Australia into production this year.

The Company has delineated total Reserves and Resources at Yundamindera and nearby Butcher Well of 1.72 million tonnes, grading 2.76 grams gold a tonne and containing over 153,000oz of gold.

Production will begin initially at Yundamindera, where Mt Burgess expects to increase resources from 769,000 tonnes grading 2.96g/t to over 1 million tonnes.

At Butcher Well, recent high grade diamond drilling results look set to upgrade the 954,000 tonnes resource grading 2.6g/t.

Mt Burgess now controls the entire Yundamindera gold field, production from which will enable it to fully explore its other gold and diamond prospects in Western Australia.

## MT BURGESS GOLD MINING CO NL

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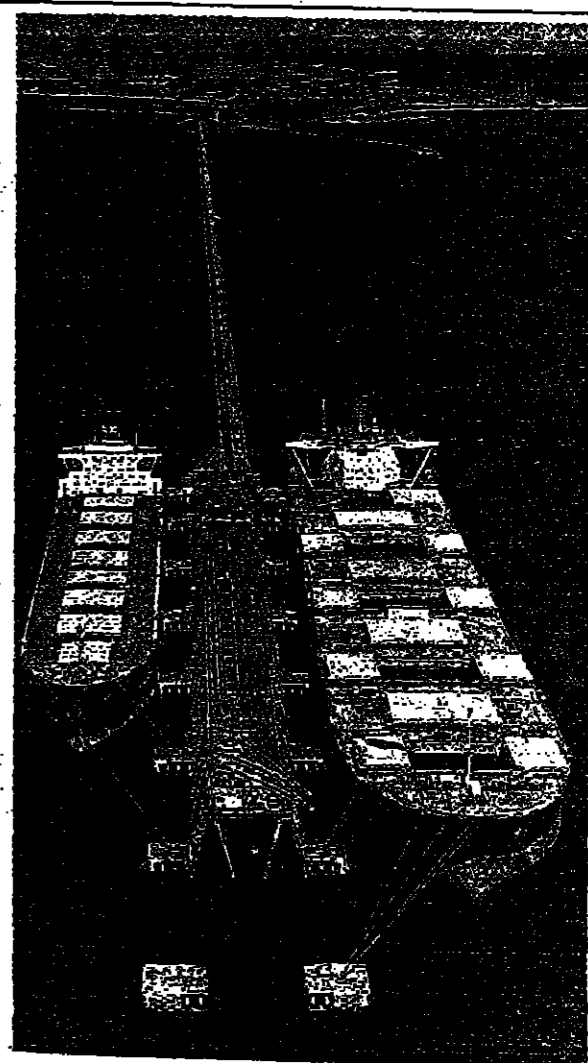
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Chris Sherwell analyses the state's natural resources

# LNG for Japan boosts exports

WESTERN AUSTRALIA'S proud position as a disproportionately strong contributor to Australia's exports was reinforced last year with the start of deliveries to Japan of liquid natural gas (LNG) from the North West Shelf.

The A\$12.5bn North West Shelf project is one of the world's biggest and most exciting resource programmes. It involves tapping two significant gas fields lying 130km off the Western Australian coast and far beneath the 125 metre-deep ocean.

The six partners are Shell, Broken Hill Proprietary (BHP), Woodside Petroleum (whose main shareholders are Shell and BHP), BP, Chevron and a joint venture between Mitsui and Mitsubishi. For some it has been their single biggest commitment anywhere.

LNG export shipments started last July, two months ahead of schedule and nine years after the project began. By the end of the year three of the planned seven LNG carriers were in operation. At its peak the project will deliver 6m tonnes of LNG a year to eight Japanese power and gas utilities.

The LNG exports represent the second, more costly phase of the giant 20-year project. The first phase, to supply gas to residential and industrial users within Western Australia, was in place by 1984 and, at A\$2bn, cost around one-fifth of the LNG phase. Overall, revenues during the project's life are expected to reach A\$50bn, with export earnings reaching A\$20bn a year.

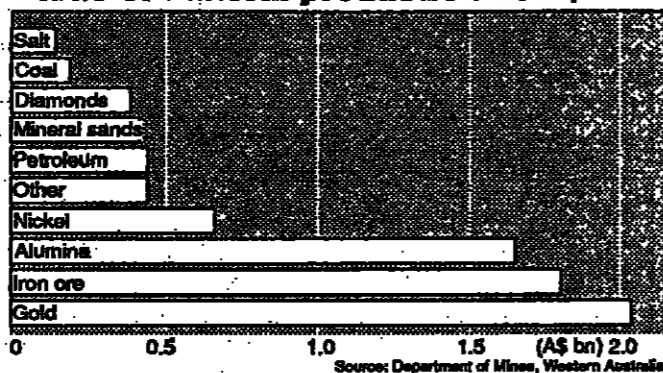
For the Western Australian economy the project is a boon. Although North West Shelf investment activity will not regain its 1987-88 peak of A\$2m a day, it is currently running at A\$5m a day and is likely to continue at that rate up to 1993 because of two major schemes.

One is a A\$1.6bn development of the Goodwyn field through the establishment of a 26-well gas and condensate production platform. This will be linked by pipeline to the existing



The Woodside liquid natural gas development on the North West Shelf

## Value of mineral production 1988/9



Source: Department of Mines, Western Australia

platform 23km to the north-east, which stands over the North Rankin field.

The other investment is the construction of a third LNG

perhaps reaching 7m tonnes a year.

Beyond this, the consortium has the options of investing in a third facility - not necessarily a platform - to extract additional gas, a fourth and fifth LNG train on shore to supply any new markets, and a second field-to-shore pipeline.

So far, some 74 per cent of the work on the North West Shelf project has been undertaken in Australia, much of it in Western Australia. The major limiting factor has been skills: thus, in the case of the Goodwyn jacket, the main fabrication contract, which is still to be decided, will go elsewhere.

The North Rankin field, with reserves of more than seven trillion cu feet, is significantly larger than Leman, the biggest North Sea field, which has around five trillion. Goodwyn has around four trillion. The

value of both has also been increased by the presence of associated condensate, enough to make them significant oilfields.

In the longer-term future, there are proven gas reserves in the nearby Angel and Echo fields, and a vast deposit containing a proven six, and perhaps 13, trillion cu feet at Scott Reef, further north. A separate consortium of Shell, Texaco, Chevron and Amoco is meanwhile sitting on reserves at the Gorgon field, which is in deeper water.

There are also hopes for oil development offshore. Last year Woodside found a 100-metre column of light crude oil flowing at 5,500 barrels a day from a drilling in the Wampana field, east of North Rankin. It was first "pure" oil find of any significance in the North West Shelf, and greatly reinforced optimism about the future.

Profile: WESTERN MINING

# Top gold producer needs to diversify

MR HUGH MORGAN, managing director of Western Mining Corporation (WMC), says that Western Australia is the best place in the world for a mining company to operate. But WMC is too heavily committed to the state and needs to spread its risks by diversifying elsewhere.

The group is already Australia's largest gold producer with attributable output of 816,430 troy ounces last financial year, most of it from Western Australia. Some analysts expect WMC this year to join the elite band of 1m ounces-a-year producers but Mr Morgan says the total is likely to be between 850,000 and 900,000 ounces.

WMC is the world's third-largest nickel producer from its Western Australian base. Nickel production last financial year was 37,500 tonnes, down from more than 53,000 tonnes in 1987-88. This year it should rebound to between 53,000 and 55,000 tonnes, says Mr Morgan.

WMC has also been building up its stake in Alcoa Australia, the world's largest producer of alumina, which has the bulk of its operations in Western Australia. WMC's shareholding currently is 43.7 per cent.

All this helped to give WMC sales revenue of A\$1.2bn in the year to June 30, up from A\$867.3m in the previous 12 months, on which it made equity operating profits (before extraordinary items) of A\$455.6m, up from A\$273.5m.

The group nearly went to the wall in the 1980s when the gold price was held fixed at an artificially low level. From then on, the management has been determined that WMC should never again be a one-product company.

To this end it recently plunged into the copper and uranium business on a world-class scale with the opening of the Olympic Dam mine in Southern Australia. It owns 51 per cent of this project and has management responsibility.

Today WMC has three A\$1bn businesses in Australia and is looking for more operations which could be built to the A\$1bn a year level.

Mr Morgan suggests one "building block" might be provided by oil and gas - although at the moment WMC is a very small player in this field. Or industrial minerals might provide a "block". The company is already the largest talc producer in Australia (output was 161,000 tonnes last year) and recently began marketing milled talc to end-users in Europe under the Westmin brand name.

Mr Morgan points out that talc is as different a business for a mining company as is oil and gas. And talc alone would not provide a A\$1bn business but WMC would have to add other industrial minerals.

Apart from expanding the range of commodities in its portfolio, WMC also wants to spread the risks by geographical diversification - both away from Western Australia to other Australian states and away from Australia itself.

It has already launched itself in North America but Mr Morgan admits "we got away to a poor start" and that it might take some time to reach the "critical mass" WMC is seeking. WMC bought four North American gold properties in quick succession and last year had to make an extraordinary provision of A\$111m for the diminution in the value of two of them after allowing for A\$72.7m profit from gold hedging no longer required.

Mr Morgan says: "We have a very strong and prosperous position in Western Australia. So we are now looking in other parts of Australia. We are applying our skills in other parts of the world."

"The emphasis is still predominantly on gold, but not solely on gold."

Gold is preferred, he says, because "there is less environmental hassle. We can get to

know the geology and politics of a new country through gold."

That said, WMC's most recent big acquisition was again in Western Australia. Last January it paid A\$75m (plus royalties) for the Agnew nickel mine which its previous joint owners, MIM and BP Minerals, put on a care and maintenance basis in August 1988.

Agnew had a reputation for poor labour relations and poor management and it is probably for this reason that WMC now calls it Leinster Nickel, after the nearest town.

Mr Morgan says that the acquisition will help WMC achieve its objective of remaining a major world nickel producer in spite of losing production from the Windarra mine where economically recoverable reserves are nearly depleted.

He says that the previous owners were conservative in their estimates that Agnew/Leinster's reserves were 33m tonnes of ore with 2 per cent of nickel.

WMC has started mining nickel from a new area, called Rocky's Reward, while considering what to do about the existing mine. Leinster will be able to treat 1m tonnes of ore when current expansion work is completed.

The group has a nickel smelter at Kalgoorlie and a nickel refinery at Kwinana but Mr Morgan hints that any expansion of this downstream activity is unlikely because energy costs - a major element in refining - in Western Australia are "significantly above" those in the rest of the country.

"Added value is of no value at all unless it is done at a profit and competitively," he says. "There is nothing we would like to do more (than expand refining capacity) but it would reduce our international competitiveness."

Kenneth Gooding

## MINERAL SANDS

# State is world leader for high technology

THERE IS glamour and money in mineral sands. Not only does Western Australia dominate world production of these minerals, but there are several projects in the state which will add value to the raw materials. The glamour comes from some of the high-purity powders and metals yielded by

tonnes a year plant at Kemerton, a new industrial area near Bunbury, which is the first in the southern hemisphere able to turn rutile or synthetic rutile into titanium dioxide pigment.

Two other minerals in Western Australia's sands are greatly sought after: zircon,

lions of dollars for Western Australia.

Rhône-Poulenc, the state-owned French group which dominates the world's rare earths business, wants to build a plant near Pinjarra, next to its recently-commissioned gallium extraction facility.

The materials produced from rare earths would go to a wide range of applications: speciality alloys, glass polishing, TV screens, petrochemical and automotive catalysts and ceramic glazing among them.

However, the project has been stalled by the Environmental Protection Agency which objects to Rhône-Poulenc's plans for disposing of radioactive waste material. The French group has offered alternative ideas and seems intent on taking all the necessary steps to get the project, which holds a key position in its world strategy, into production.

Perhaps the most adventurous of the mineral sands projects in the state is planned by joint-venturers Kerr McGee of the US and local group, Minproc Holdings. They plan the world's first integrated mineral sands venture, from mining sands at a new mine at Coolbarloo, through three processing plants, to the production of titanium dioxide pigment at the end of the chain.

The A\$400m project is expected to produce about 290,000 tonnes a year of primary heavy minerals, 87,000 tonnes of synthetic rutile and 54,000 tonnes of titanium dioxide pigment and to generate exports worth more than A\$200m.

Currently Western Australia's mineral sands mines are concentrated in two regions: Capel, near Bunbury, and Ennabba, near Geraldton. The principal producers are Associated Minerals Consolidated, a subsidiary of Renison Goldfields; Westralian Sands; and Cable Sands.

Also involved in the industry is the Ravensthorpe Mining group which recently started mining and will channel output to its new A\$2m dry processing plant at Picton.

In the not-too-distant future Broken Hill Proprietary, Australia's biggest company, is likely to give the go-ahead for development of its Beenup deposit, a major ilmenite find near Augusta. The group suggests Beenup could produce an annual 500,000 tonnes of ilmenite (the predominant mineral in the deposit), zircon and rutile for at least 20 years.

Kenneth Gooding

## Production of synthetic rutile, a value-added product worth six or seven times more than the ilmenite on which it is based, is booming

mineral sands. These are used in high-technology applications such as advanced ceramics for combustion engines, lasers and fibre optics, X-ray and medical diagnostic equipment, artificial limbs, severe pain treatment and aerospace projects.

At the same time, the world seems to have an insatiable appetite for titanium dioxide - a pigment used to give a pure whiteness to paints and other surface coatings.

Titanium dioxide is produced from ilmenite, the mineral sand found in most abundance, and from rutile. Western Australia supplies 43 per cent of the world's ilmenite and 21 per cent of the rutile.

A switch of technology to produce titanium dioxide by more environmentally acceptable means has left the world short of natural rutile. This has led to an expansion in the output of synthetic rutile, a value-added product worth six or seven times more than the ilmenite on which it is based.

Production of synthetic rutile is booming in Western Australia and SCM Chemicals, now part of Hanson of the UK, has moved even further downstream in the process. Late last year SCM opened a new 70,000

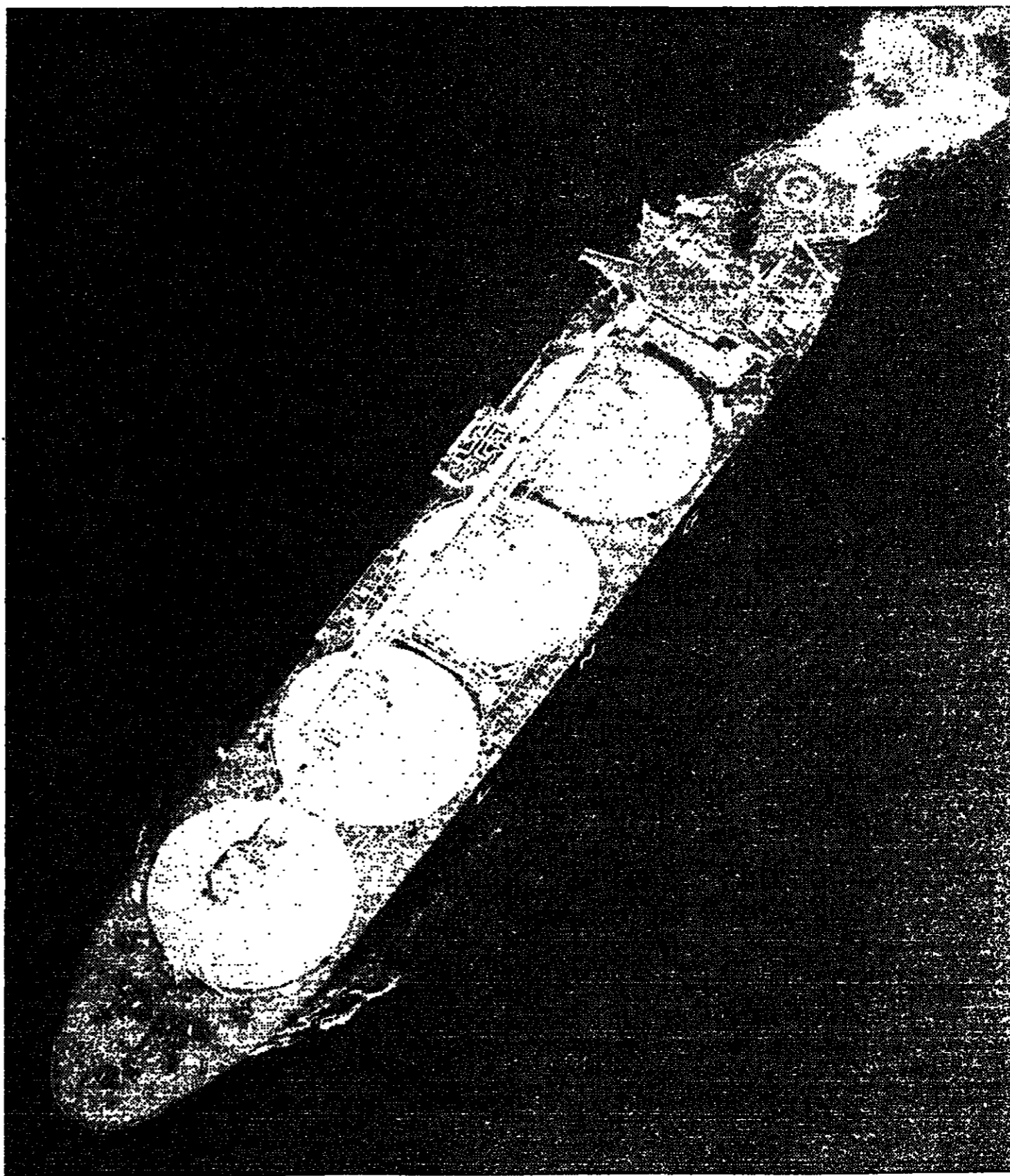
used in ceramics, refractories, chemical processing and heat-resistant cladding; and monazite, which can be separated into the more exotic rare earth elements.

Western Australia accounts for about 40 per cent of world zircon output and 54 per cent of monazite production.

The Department of Resources Development reckons that five years ago zircon boosted the state's export earnings by A\$25m. Today similar levels of production are worth nearly A\$100m a year.

The world's largest high-purity zirconia plant was opened last year south of Perth, a A\$12m venture which converts zircon sand to zirconia powders and chemicals. Expansion is already being contemplated to meet growing demand from the international ceramics industry for feedstock. The plant employs a process developed by ICI Australia and the Australian national scientific research agency, CSIRO, which until recently had a 50 per cent shareholding in the venture.

Monazite is a relatively low-cost mineral sand but, once transformed into rare earth compounds, offers the possibility of earning hundreds of mil-



The dream is now a reality. After more than 20 years of exploration and development, Liquefied Natural Gas from Australia's North West Shelf is being exported to Japan.

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## AUSTRALIA

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